STATE OF IDAHO USA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



Idaho Artists

Daily we are surrounded by many different forms of art that we pass by without even noticing. The divider pages of the Comprehensive Annual Financial Report showcase a selection of noted Idaho artists who have demonstrated the ability to capture Idaho at its best through art. You will be able to step into the lives of eight artists as they reveal their passion, inspiration, and methods for designing unique artwork. Idaho can be proud of the western heritage these talented artists portray through their hours of hard work and beautiful creations.

Sandy Marostica - Painter

Idaho native Sandy Marostica grew up near the Idaho/Oregon border. During her 30-year career as an artist, Sandy's work has frequently explored the people, places, and myths of the West.

She learned to draw horses from her father, who was a cattle rancher, farmer, and dairyman. "Our farm and family life bore little resemblance to the 'West' we saw on television—Roy Rogers, Gene Autry, or, best of all, The Virginian," Sandy relates. "A language of stereotypes, symbols, myths, and predictable themes plagued that Hollywood 'West.' The real West is much more. It's a rich tapestry of complex landscapes and people." Sandy is inspired by the stories of these everyday westerners, and by the monumental, colorful, and sometimes barren landscape of Idaho.

Sandy Marostica's paintings are based on her own photographs. She instantly knows when a scene will make a good painting and captures the moment with her camera. Using a grid to transfer and enlarge the image, Sandy then draws the scene onto canvas. Working with oils is her favorite method, but she also paints with acrylics.

In late 2003, 12 artists from Washington, Oregon, and Idaho were selected to work with an assigned farmer or rancher in their home state, observing and learning about agricultural conservation practices and interpreting their observations through art. Sandy was assigned to an eastern Idaho rancher and spent 12 days through spring and summer of 2005 working with him on the project. The painting on the front cover depicts a scene she observed at his ranch.

Sandy's work has been widely exhibited in one-person and juried group shows and can be found in private and corporate collections. She is a graduate of Boise State University, where she earned a Bachelor of Fine Arts degree in 1985. Her work has recently appeared in both *Artist's Magazine* and *Artisan Northwest.*

Sandy makes her home in Boise, Idaho, with her husband. They have two grown children.

Front Cover Photo courtesy of Sandy Marostica: www.sandymarostica.com
Change of Seasons, Times of Change (Oil on canvas, 2005)
Location: Pasture at Island Park

IDAHO COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



JAMES E. RISCH
GOVERNOR

KEITH L. JOHNSON
STATE CONTROLLER

PREPARED BY THE OFFICE OF THE STATE CONTROLLER

STATE OF IDAHO

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Thanks and appreciation to the Bureaus of Accounting Operations, System Administration, Accounting Customer Resource Center, and Application Development in the Office of the State Controller.

Special appreciation to all fiscal and accounting personnel throughout the State whose efforts to contribute accurate, timely financial data for their agencies made this report possible.

STATE OF IDAHO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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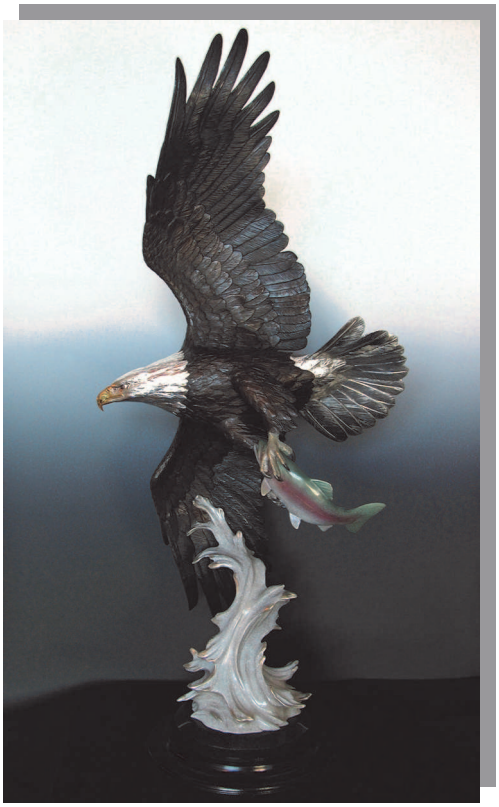
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Introductory Section

Mike Curtis - Bronze Sculptor

A tree-covered mountainside in Sagle, Idaho, overlooking Lake Pend Oreille, has been the location for the home and studio of this renowned sculptor for 25 years. The scenic area is a gathering spot for bald eagles and is abundant with wildlife, a perfect environment for an artist who is a master sculptor of wildlife subjects.



Mike Curtis has fond memories of his childhood on the California coast and in the rugged mountains of Colorado. Born in Los Angeles, California, his family later moved to a rustic log cabin in the Colorado wilderness. His days were spent exploring, fascinated by the variety of wildlife that inhabited the remote area. It was here that his love of nature and connection to his subjects began. Returning to California as a young boy, he discovered an appreciation for the beautiful California coastline and the sea life that populated the ocean waters. Shortly after serving his country in the United States Army, Mike and his wife Marlene moved to the Pacific Northwest where they raised their son Jason and daughter Elaine.

Mike Curtis is a self-taught bronze sculptor, a born artist, who has been awarded important commissions throughout the country. As a child he found enjoyment in drawing, carving, designing, and constructing works of art. With his particular interest in three-dimensional art, he naturally gravitated towards sculpture.

Each sculpture begins with a block of clay. Most sculptures require a metal frame, which he covers with the clay. Mike uses the ancient lost wax process to create each detailed, limited edition sculpture in bronze.

When asked how long it takes to create a sculpture, Mike will say "a long time." Because he will often have several sculptures in progress and in various stages at one time, it is impossible to say how much time he has spent on each before he is satisfied that it is completed and ready for the original mold. Art should not be rushed, and because Mike never wants to feel limited by time, he makes a point of not keeping track of it. Once the sculpture is completed in clay, several months will be required for the making of the original mold and the process of the lost wax casting method at the fine art foundry. Mike will then complete the finish tooling and apply the patina to the bronze sculpture before attaching it to the custom base.



Mike was chosen by the White House to prepare a work of art, presented by former President George Bush to Chinese officials, which would symbolize the proud heritage of the United States. A Curtis sculpture was also presented to President Gerald Ford upon his retirement.

To honor our bravest heroes, Mike has been commissioned to create sculptures for Veterans' Memorials across the country. He was commissioned to sculpt the POW/MIA Bronze Eagle Memorials for both Fort Benning and the city of Columbus, Georgia.

Photos courtesy of Mike Curtis Studio: www.MikeCurtis.com
Left: *POW/MIA Eagle–Broken Free from his Chains*
Right: *Waves of Success*

Keith L. Johnson
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December 8, 2006

To: The Honorable James E. Risch, Governor
Members of the Legislature
Citizens of the State of Idaho

As required by *Idaho Code*, Section 67-1001, I am pleased to transmit the Comprehensive Annual Financial Report (CAFR) to you for the fiscal year ended June 30, 2006. This report represents Idaho's continued commitment to sound and effective fiscal management and to responsible financial reporting based on recognized standards. This CAFR, which includes the State's independently audited basic financial statements, will provide you and the financial community with the information necessary to assess Idaho's financial position, results of operations, and management of its financial resources.

Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the Office of the State Controller. As the State's Chief Fiscal Officer, I am confident the data presented is accurate in all material respects. It is presented in a manner that fairly sets forth the financial position and results of state operations. It is prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB) and includes recommendations of the Government Finance Officers Association. All disclosures necessary to enable the reader to gain a reasonable understanding of the State's financial position and results of operations have been included.

The State's management has established and maintained an internal control structure in order to ensure that the financial statements are free from material misstatement and that the State's assets are adequately protected from loss, theft, or misuse. The State's Management Control System includes both financial and administrative controls and provides a framework for managers to work within their organizational structure to promote efficient and effective operations in the State. The cost of internal controls should not outweigh their benefits; therefore, the framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

In accordance with *Idaho Code*, Section 67-429, the Legislative Audit staff of the State Legislature audited the State's basic financial statements for the fiscal year ended June 30, 2006, in order to provide reasonable assurance that the CAFR is free of material misstatement. The audit was conducted in accordance with generally accepted governmental auditing standards, and the auditor's opinion is included as the first component of the Financial Section of this report. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the CAFR; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for rendering an unqualified opinion that the State of Idaho's basic financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP.

In addition, the Legislative Audit staff has the responsibility for conducting statewide audits under the Federal *Single Audit Act of 1984* and the related Office of

Management and Budget *Circular No. A-133* in order to meet the special needs of federal grantor agencies. The State issues a separate single audit report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

PROFILE OF THE GOVERNMENT

The State of Idaho was admitted into the Union as the 43rd state in 1890. It covers 84,437 square miles bordered on the south by Utah and Nevada, on the east by Wyoming and Montana, on the west by Washington and Oregon, and on the north by Canada. Idaho has a population of 1.5 million. State government is divided into three branches. The Executive Branch is comprised of the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and the Superintendent of Public Instruction. The Legislative Branch is comprised of two houses, a 35-member Senate and a 70-member House of Representatives. The Judicial Branch is presided over by the Idaho Supreme Court, which is led by the Chief Justice, elected by the four other justices.

The State provides services such as education, health and human services, highway maintenance and construction, public safety and correction, natural resource management, and economic development programs. In addition to general government activities, component units that are part of this report include the Idaho State Building Authority, the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, the Idaho Small Employer Health Reinsurance Program, the Idaho Individual High Risk Reinsurance Pool, the Idaho Bond Bank Authority, and the Idaho Life and Health Insurance Guaranty Association.

The annual budgetary process serves as the foundation for the State's financial planning and control. The governmental funds for which budgets are annually approved are general, special revenue, and earnings of the permanent funds. In September of each year state agencies submit budget requests to the Governor's Office and the Legislature's Budget and Policy Analysis Office. The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The budget is generally appropriated by agency, fund, program, and object. Legal level of budgetary control is maintained at the same level of detail as appropriated.

All claims presented for payment must be approved by the appropriate department. The expenditure must be for a purpose intended by law, and a sufficient existing and unexpended appropriation balance must be available. Budgetary controls are incorporated into the Statewide Accounting and Reporting System to ensure expenditures do not exceed authorized appropriations. The budgetary process is further described in the notes to the required supplementary information.

ECONOMIC CONDITION

Economy

Economic conditions in Idaho are positive. Idaho outpaced national growth in nonfarm employment, personal income, and population in 2005. Idaho's per capita personal income and average annual wage increased at about the same rate as the national level. Idaho set a state record low for average annual unemployment rate at just 3.8 percent, well below the national rate of 5.1 percent.

Idaho's nonfarm employment growth rate continues to outperform expectations, thanks in part to a surge in construction employment. Construction employment increased 13.3 percent in 2005 (to 45,124) and is expected to increase another 14.8 percent in 2006 (to 51,807). This surge is fueled by Idaho housing starts which hit an all-time high of 23,175 units in 2005. Housing starts increased 102.1 percent, an average of 15.1 percent per year, from 2000 to 2005 (from 11,468 to 23,175). This trend, however, is expected to gradually decline beginning in 2006 with a 1.8 percent decrease in housing starts and a 0.3 percent decrease in construction employment following in 2007.

Overall, Idaho's nonfarm employment grew 4 percent in 2005 (to 611,691). It is estimated that nonfarm employment will increase 4.5 percent in 2006 and 3 percent in 2007. Looked at another way, Idaho is expected to enjoy a net job gain of nearly 46,500 jobs from 2005 to 2007.

Idaho's nonfarm employment consists of nongoods-producing industries and goods-producing industries. The private nongoods-producing sector is the state's largest employer and is forecasted to be the state's job-growth champion through 2009. This sector accounted for over six of every ten nonfarm jobs in Idaho last year with the service sector claiming the majority of those jobs. Service industries include information services; financial activities; transportation, warehousing, and utilities;

professional and business services; education and health services; and leisure and hospitality services. Nongoods-producing industries also include retail and wholesale trade. Total employment in Idaho's nongoods-producing sector increased 3.5 percent in 2005 (to 499,359) and is forecast to rise 3.9 percent in 2006 and 3.6 percent in 2007. The service sector increased 4.4 percent in 2005 (to 280,741) and is expected to increase 4.8 percent in 2006 and 4.4 percent in 2007.

Goods-producing employment increased 6.5 percent in 2005 (to 112,332) and is expected to increase 7.2 percent in 2006 and 0.3 percent in 2007. The largest of Idaho's goods-producing industries is manufacturing, which includes logging and wood products, metal fabrication, machinery, computer and electronics, food processing, printing, and chemicals. The other goods-producing industries are mining and construction.

Idaho's personal income growth has outpaced national personal income growth eleven out of the last fourteen years and is expected to increase at a greater rate than national through the foreseeable future. National personal income grew 5.4 percent in 2005 and is expected to grow 5.5 percent in 2006 and 5.6 percent in 2007. Idaho's personal income increased by 7.4 percent in 2005 and is expected to increase 6 percent in 2006 and 7.5 percent in 2007.

Idaho's population increased 2.7 percent in 2005, which was 1.8 percentage points higher than the national rate. U.S. population is expected to grow 0.9 percent in both 2006 and 2007. Idaho's population growth is expected to be greater than the national rate at 2.7 percent in 2006 and 2.3 percent in 2007.

Long-Term Financial Planning

The single biggest budget concern in fiscal year 2006 was deciding what to do with a cash surplus of $222.6 million carried over from the previous year. The Legislature appropriated $133.8 million of the one-time surplus for fiscal year 2006 and $88.8 million for fiscal year 2007. For the first time in several years the Legislature had resources to fully fund current service programs for fiscal year 2007.

During a special legislative session in August 2006 the Legislature passed the Property Tax Relief Act of 2006. The purposes of this Act are as follows: to permanently eliminate the public schools maintenance and operation levy on Idaho real property, which immediately reduced property taxes by approximately $260.0 million; to raise the sales tax one percent effective October 1, 2006, which will generate revenues of approximately $210.0 million annually; to protect education funding by placing $100.0 million into the public education stabilization fund; and to appropriate sufficient funds from the General Fund to public schools for maintenance and operation to compensate for the loss of the property tax revenue. An advisory question was placed on the November 2006 general election ballot asking Idaho voters if the State should keep the Act. Voters approved of the Act.

Financial Policies

Article VII of the *Idaho Constitution* allows for state revenue generation from a number of sources. This balanced approach to funding essential services allows the State to operate on a sound fiscal basis in a variety of economic conditions. In comparison to some neighboring states that rely primarily upon the sales tax or the income tax, Idaho derives comparable amounts of its own-source revenues from both sources, ensuring that vital services are less prone to disruption.

The State, through *Idaho Code*, Sections 57-814 and 67-3520, maintains a budget stabilization and economic recovery reserve fund. These reserve monies are set aside for the purpose of meeting General Fund revenue shortfalls, meeting expenses incurred as a result of a major disaster, or providing tax relief to the citizens of Idaho. During fiscal year 2006 the revenues from cigarette taxes, in the amount of $22.6 million, were distributed to the budget stabilization and economic recovery reserve fund. In addition, $104.4 million was transferred in from the General Fund, which included $81.5 million from the disposition of the one-time surplus. For fiscal year 2007, another $23.9 million is to be transferred to the budget stabilization and economic recovery reserve fund from the one-time surplus.

Major Initiatives

Health and Human Services. The General Fund appropriation for the Department of Health and Welfare increased from $457.7 million in fiscal year 2006 to $502.4 million in fiscal year 2007, a 9.8 percent increase. The Medicaid program received $26.0 million, or 58.2 percent of the increase. Medicaid reform was a key budget and policy issue in the Governor's budget for fiscal year 2007. As a result of the Medicaid Simplification Act, the Medicaid budget was separated into three new programs for different categories of recipient eligibility and a fourth program for administration and medical management.

Public Schools. The General Fund appropriation for public schools increased by 5.5 percent for fiscal year 2007, from $987.1 million to $1.0 billion. This is the first General Fund appropriation in state history to top $1.0 billion. In addition, the Legislature provided public schools with a $5.0 million cash infusion from the budget stabilization fund to the public education stabilization

fund, to cover costs associated with the unexpected levels of enrollment growth. Base salaries for teachers, administrators, and classified staff were increased by 3 percent. Also, the minimum teacher salary was increased 9.1 percent, from $27,500 to $30,000.

Department of Correction. The General Fund appropriation for the Department of Correction increased from $118.6 million in fiscal year 2006 to $143.6 million in fiscal year 2007, a 21.1 percent increase. Of that increase, $9.1 million was provided through supplemental appropriations primarily for dealing with inmate population growth, county jail and out-of-state facility placements, and the increasing cost of medical services.

Transportation. The Idaho Transportation Department fiscal year 2007 budget includes four line-item additions. The first item is a $3.0 million appropriation for the first year of a multiyear project to convert and upgrade information technology systems in the Division of Motor vehicles. The second item is a $3.4 million appropriation to construct a new District Four facility in Shoshone. The third item is a result of increased federal funding, a $27.7 million appropriation for the Contract Construction and Right-of-Way Acquisition program. The final item is an increase of $5.5 million allocated among public transportation, planning, and highway operations. In other legislation, bonding authority was granted for the issuance of Grant Anticipation Revenue Vehicles (GARVEE Bonds) to finance up to $200.0 million for six highway transportation projects around the state.

Economic Development. The Legislature chose to use $35.4 million of the one-time General Fund surplus to fund 16 one-time economic development projects throughout the state, with an emphasis on rural needs. The projects with the largest appropriations are as follows: maintenance and improvements at state parks, $11.5 million; Rural Broadband Development, $5.0 million; Rural Economic Development and Integrated Freight Train Fund, $5.0 million; Conservation Reserve Enhancement Program, $5.0 million; Eurasian Watermilfoil Eradication, $4.0 million; and Incumbent Worker Training Revolving Loan Fund, $2.0 million.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Idaho for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This is the ninth consecutive year that the State of Idaho achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. We are committed to this ongoing effort and intend to maintain a highly qualified and professional staff to make Idaho's certification possible.

The State also received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for its Citizens' Report for the fiscal year ended June 30, 2005. This is the eighth year the State received this prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report with contents that conform to program standards of creativity, presentation, understandability, and reader appeal.

One of the State's agencies, the Public Employee Retirement System of Idaho (PERSI) has prepared a Comprehensive Annual Financial Report for the System for the last fifteen years. PERSI should be recognized for this major accomplishment.

The State Controller's Office takes great pride in the preparation of this comprehensive report. It is an honor to recognize the professionalism and dedication demonstrated by financial managers and accountants of the state agencies and component units, along with staff within the State Controller's Office. In addition, the auditing staff of the Legislative Services Office must be recognized for true dedication and professionalism. Their independent and critical review of this CAFR truly serves the citizens of Idaho. Credit must also be given to Governor Risch and other state leaders for their support in maintaining the highest standards of professionalism in the management of Idaho's finances.

Respectfully submitted,



Keith L. Johnson
Idaho State Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Idaho

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

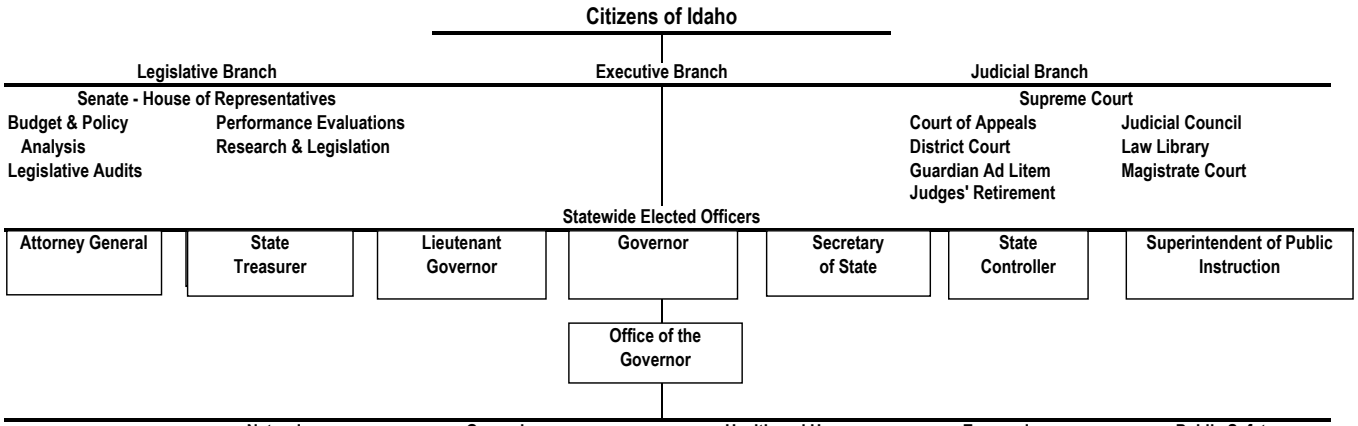
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

2006 Organization Chart
Idaho State Government
State Agencies Based on Gubernatorial Appointment Authority



Education	Natural Resources	General Government	Health and Human Services	Economic Development	Public Safety
Agencies with Executive Appointed by the Governor					
	Dept. of Water Resources Dept. of Environmental Quality	Comm. on Aging Comm. On Women's Programs Dept. of Administration Div. of Financial Management Div. of Human Resources Liquor Dispensary Military Division Species Conservation Tax Comm.	Dept. of Health and Welfare	Appellate Public Defender Athletic Commission Bureau of Occup. Licenses Dept. of Agriculture Dept. of Commerce and Labor Dept. of Finance Dept. of Insurance Div. of Building Safety Lottery Comm. Pub. Utilities Comm. Veterans Services	Dept. of Juvenile Corrections Idaho State Police

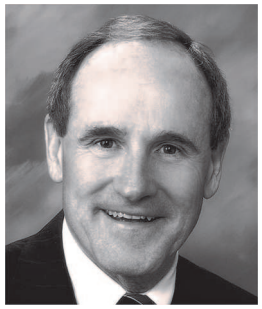
Education	Natural Resources	General Government	Health and Human Services	Economic Development	Public Safety
Agencies with Executive Appointed by a Board					
Board of Education Boise State University Eastern Idaho Technical College Historical Society Idaho State University Lewis-Clark State College Professional-Technical Education Public Broadcasting School for the Deaf and the Blind Vocational Rehabil. State Library University of Idaho	Dept. of Fish and Game Dept. of Lands Dept. of Parks and Recreation Endowment Fund Investment Board Lava Hot Springs Foundation	Board of Tax Appeals Comm. For the Blind Comm. on Human Rights Comm. on the Arts Public Employee Retirement System	Public Health Districts	Boards of: Accountancy, Dentistry, Geologists, Medicine, Nursing, Optometry, Engineers, Outfitters and Guides, Pharmacy, and Veterinary Medicine. Certified Shorthand Reporters Comm. on Hispanic Affairs Dept. of Transportation Industrial Comm. Real Estate Comm.	Brand Inspector Correctional Industries Dept. of Correction Racing Comm.

Prepared by the Division of Financial Management. Formatting modified by the Office of the State Controller.

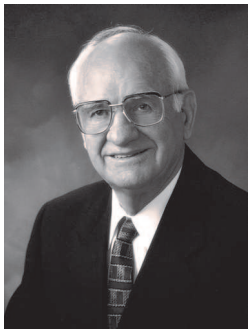
Elected Officials of the State of Idaho



KEITH JOHNSON
State Controller



JAMES E. RISCH
Governor



MARK G. RICKS
Lieutenant Governor



BEN YSURSA
Secretary of State



RON CRANE
State Treasurer



LAWRENCE WASDEN
Attorney General



MARILYN HOWARD
Superintendent of Public Instruction



BRUCE NEWCOMB
Speaker, Idaho House of
Representatives



GERALD SCHROEDER
Chief Justice,
Idaho Supreme Court



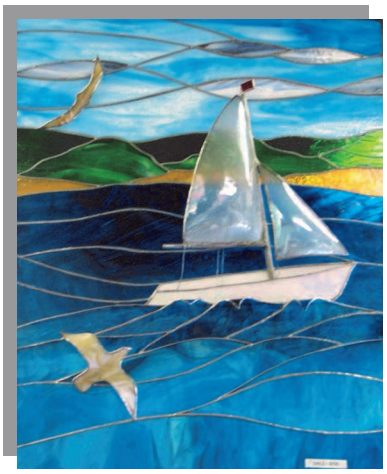
BOB GEDDES
President, Pro Tempore
Idaho State Senate

Financial Section

Cheri Lindley - Glass Artist

Born in Oregon and raised in Idaho, Cheri Lindley is a true native of the Northwest. As a child, Cheri would get in trouble for holding a cut glass vase of her grandmother's up to the sun to watch the rainbows dance on the floor. In church she would take mind trips through the stained glass windows, and as a student at Boise High she was fascinated by watching the light through the waves and bubbles in the old school windows.

Cheri graduated with a Liberal Arts degree from Washington State University. She began working with glass in 1970, and eventually Lindley Glass Studio grew from a hobbyist's enthusiasm in a corner of the basement to a large working studio that now produces a broad range of glass art.

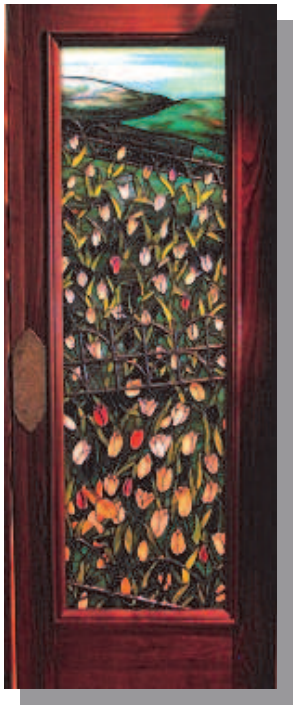


Starting with flat glass, Cheri quickly moved on to more complex designs. A distinctive characteristic of her leaded panels and sculptural pieces is the creation of three-dimensions and void spaces through the use of fused, tilted, and bent glass.

Having created etched windows for some time, in the early 1980s Cheri began carving, etching, and engraving small crystal and glass pieces with her own designs and several styles of her husband, Doug Lindley's decorative lettering. Lindley Glass Studio now produces work that includes single hand-cut pieces for specific commissions, limited editions, and a variety of pieces for sale in the studio. Cheri and Doug have also done a number of restorations, including windows in the Black History Museum, several churches, and residences.

In the fall of 2006, after 10 years of being involved with both retail and student classes, the Lindleys sold that portion of the business, and Lindley Glass Studio, Inc., is back to its original state as a working studio.

Building a stained glass piece of any kind is labor-intensive. The pattern must be created and several identical copies made. One copy of the pattern is applied to the glass and the glass is cut. After all of the glass is cut, Cheri either uses the copper foil fabrication method or the lead came method. Both methods result in soldering the glass together, then cementing and cleaning the pieces.



Cheri enjoys "the entire process—I enjoy designing, selecting the glass, creating patterns, and when working with clients, the challenge of getting their ideas into what I build. A favorite part of my glass work is the fabrication—the actual handling of the glass and making it tell the story."

Cheri's design ideas come from everything and everywhere. "I may see a scene, or a picture in a magazine in which one spot says 'glass' to me." With religious work, such as windows for churches, she does her homework by researching appropriate art for each specific project and location. The variety of her work continues to grow, and Cheri is always eager to have prospective clients visit the studio to consult with her directly in the development of their project or ideas. Once she started working with glass, she was hooked. "I had found my passion. Over thirty-five years later I still love working with it."

Photos courtesy of Cheri Lindley: www.lindley-glass.com
Left: *Cheri's Sailboat* (featuring bent glass)
Right: *Tulip Door* (Owner: Virginia Allen)



Legislative Services Office
Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

December 8, 2006

Independent Auditor's Report

Honorable James Risch, Governor
Honorable Members of the Legislature
Honorable Keith Johnson, State Controller

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the State of Idaho as of and for the year ended June 30, 2006, that collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Idaho, Idaho State University, Boise State University, Lewis and Clark State College, Eastern Idaho Technical College and their respective component units, nor the Endowment Fund Investment Board, State Lottery Commission, Public Employees Retirement System of Idaho, IDeal Idaho College Savings Program, the Idaho Life and Health Insurance Guaranty Association, Idaho Individual Risk Reinsurance Pool, Idaho Small Employer Health Reinsurance Program, Petroleum Clean Water Trust Fund, Idaho Building Authority, and the Idaho Housing and Finance Association. Those financial statements represent total assets and revenues of the government-wide financial statements and total assets and revenues of the fund financial statements as follows:

Government-Wide Financial Statements	Percent of Assets	Percent of Revenues
Primary Government - Governmental Activities	16.6%	3.6%
Primary Government - Business-Type Activities	66.7%	67.7%
Aggregate Discretely Presented Component Units	98.6%	99.3%

Fund Financial Statements	Percent of Assets	Percent of Revenues
Governmental Funds		
Public School Endowment - Major Fund	99.6%	97.2%
Pooled Endowment - Major Fund	100.0%	100.0%
Proprietary Funds		
College and Universities - Major Fund	100.0%	100.0%
Aggregate Remaining Fund Information	82.5%	34.7%

Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for those agencies and component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The financial statements of the Idaho Life and Health Insurance Guaranty Association, the Idaho Housing and Finance Association, and the IDeal Idaho College Savings Program were not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and accordingly, are not covered by our reports in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Idaho as of June 30, 2006, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated December 8, 2006, on our consideration of the State of Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 12, and the required supplementary information on pages 98 through 102, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, the combining and individual non-major financial statements, and the statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Yours truly,

Ray Ineck

Ray Ineck, Manager
Legislative Audits Division

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the State of Idaho's financial performance provides an overview and analysis of the State's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Government-Wide Highlights

The assets of the State's primary government exceeded its liabilities for the fiscal year ended June 30, 2006, by $7.7 billion (reported as net assets). Of this amount, $975.1 million (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors.

In fiscal year 2006 the State's total net assets increased by $716.0 million. Net assets of governmental activities increased by $577.9 million, while net assets of business-type activities increased by $138.1 million.

Fund Highlights

As of the close of the fiscal year, the State's governmental funds reported combined ending fund balances of $2.1 billion, with $1.0 billion reserved for specific purposes and $1.1 billion unreserved. This includes the General Fund's unreserved fund balance of $755.6 million.

Long-Term Debt

The State's long-term debt decreased $2.1 million from $565.7 million in fiscal year 2005 to $563.6 million in fiscal year 2006. The key factor in this decrease was the colleges and universities paying off debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which include the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities, which report information about the State as a whole and present a long-term view of the State's finances using accounting methods similar to those used in the private sector. The statements are prepared using the flow of economic resource measurement focus and accrual basis of accounting, under which the current year's revenues and expenses are recorded as transactions occur rather than when cash is received or paid.

The *Statement of Net Assets* reports all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time increases or decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this Statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This Statement reports expenses and revenues in a format that focuses on the net cost of each function, allowing you to see which functions of the State draw upon the general revenues of the State and which functions contribute to the general revenues of the State.

The government-wide financial statements are divided into the following three categories:

Governmental activities encompass most of the State's basic services, such as general government, public safety and correction, health and human services, education, economic development, and natural resources. Revenues from taxes and federal grants finance most of these activities.

Business-type activities account for operations that function in a manner similar to private business, where all or a significant portion of costs are recovered through user fees and charges to external customers. These activities primarily include higher education, unemployment benefit payments, and loans to cities and counties to make improvements to wastewater and drinking water systems.

Discretely presented component units are organizations legally separate from but financially accountable to the State, or their relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Discretely presented component units include the Idaho Housing and Finance Association, the college and university foundations, the Petroleum Clean Water Trust Fund, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the Idaho Bond Bank Authority, and the Idaho Life and Health Insurance Guaranty Association.

Fund Financial Statements

The fund financial statements provide detailed information about the State's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to demonstrate compliance with finance-related legal requirements. The State's funds are divided into the following three categories:

Governmental funds account for most of the State's basic services and provide a detailed short-term view of the State's general government operations. They account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements and capabilities. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Governmental funds include the General Fund, special revenue funds, and permanent funds.

Proprietary funds account for activities similar to for-profit enterprises, where the determination of net income is necessary for sound financial administration. Proprietary funds include enterprise and internal service funds. Enterprise funds report activities that provide supplies or services to the general public; internal service funds report activities that provide supplies and services for the State's programs and activities. Internal service funds are reported as governmental activities on the government-wide statements since their services predominantly benefit the State. Proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. As in the government-wide statements, proprietary fund financial statements use the accrual basis of accounting.

Fiduciary funds account for resources held for the benefit of parties outside the State. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's programs. These funds are reported using the accrual basis of accounting.

This report includes two schedules in the governmental fund financial statements that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities and balances reported on the appropriate government-wide statements (accrual accounting). By comparing the information presented for governmental funds with similar information presented in the government-wide financial statements, you may better understand the long-term impact of the State's near-term financing decisions.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the component unit financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes the following:

- budgetary comparison schedules reconciling the statutory operating activities and the generally accepted accounting principles operating activities and fund balances, as presented in the governmental fund financial statements
- condition and maintenance data regarding the State's infrastructure that is reported using the modified basis
- schedules of funding progress and actuarial information in funding the State's obligation to provide pension benefits to certain employees

Other Supplementary Information

Combining financial statements are presented after the required supplementary information to provide more detail for nonmajor special revenue, proprietary, and fiduciary funds. The total columns of these combining financial statements tie to the applicable combined fund financial statement.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets

Net assets measure the difference between what the State owns (assets) versus what the State owes (liabilities). Net assets may serve over time as a useful indicator of the State's financial position. The State's assets exceeded liabilities by $7.7 billion for the most recent fiscal year. The State's combined net assets increased $716.0 million over the course of this fiscal year's operations. Net assets of governmental activities increased $577.9 million and business-type activities net assets increased $138.1 million.

Net Assets
June 30, 2006 and 2005
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	**2005***	**2006**	**2005***	**2006**	**2005***
Current and Other Assets	$3,545,351	$3,145,486	$1,028,434	$917,761	$4,573,785	$4,063,247
Capital Assets	4,401,997	4,190,737	786,323	758,176	5,188,320	4,948,913
Total Assets	7,947,348	7,336,223	1,814,757	1,675,937	9,762,105	9,012,160
Other Liabilities	1,189,989	1,168,320	105,416	93,577	1,295,405	1,261,897
Long-Term Liabilities	412,170	400,585	357,709	368,860	769,879	769,445
Total Liabilities	1,602,159	1,568,905	463,125	462,437	2,065,284	2,031,342
Net Assets:						
Invested in Capital Assets, Net of Related Debt	4,179,097	3,978,358	467,275	447,206	4,646,372	4,425,564
Restricted	1,354,676	1,255,613	720,721	619,352	2,075,397	1,874,965
Unrestricted	811,416	533,347	163,636	146,942	975,052	680,289
Total Net Assets	**$6,345,189**	**$5,767,318**	**$1,351,632**	**$1,213,500**	**$7,696,821**	**$6,980,818**

*These columns have been restated. More detailed information can be found in Note 13.

The largest component of the State's net assets, $4.6 billion or 60.4 percent, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery and equipment), net of accumulated depreciation and less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens. These assets are not available for future spending.

Restricted net assets are the next largest component, comprising 26.9 percent ($2.1 billion). These resources are not available for general use due to restrictions placed on them by external parties such as creditors, grantors, or contributors; or by state law through constitutional provisions or enabling legislation.

The remaining 12.7 percent ($975.1 million) of net assets represents unrestricted net assets, which may be used at the State's discretion but often have limitations on use based on state statutes.

At the end of the current fiscal year the State reported positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Changes in Net Assets

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year:

Change in Net Assets
For the Fiscal Years Ended June 30, 2006 and 2005
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percent
	2006	2005*	2006	2005*	2006	2005*	Change
Revenues							
Program Revenues							
Charges for Services	$786,444	$747,633	$731,194	$649,504	$1,517,638	$1,397,137	8.6
Operating Grants and Contributions	1,899,754	1,832,487	229,902	228,049	2,129,656	2,060,536	3.4
Capital Grants and Contributions	8,624	5,211	20,231	19,965	28,855	25,176	14.6
General Revenues							
Sales Tax	1,061,861	1,135,210			1,061,861	1,135,210	(6.5)
Individual and Corporate Taxes	1,428,996	1,167,799			1,428,996	1,167,799	22.4
Other Taxes	406,485	406,176			406,485	406,176	0.1
Other	56,138	38,740			56,138	38,740	44.9
Total Revenues	5,648,302	5,333,256	981,327	897,518	6,629,629	6,230,774	6.4
Expenses							
General Government	634,262	606,542			634,262	606,542	4.6
Public Safety and Correction	266,036	229,158			266,036	229,158	16.1
Health and Human Services	1,676,706	1,600,692			1,676,706	1,600,692	4.7
Education	1,385,448	1,331,795			1,385,448	1,331,795	4.0
Economic Development	629,499	616,149			629,499	616,149	2.2
Natural Resources	213,599	205,635			213,599	205,635	3.9
Interest Expense	21,130	18,175			21,130	18,175	16.3
College and University			780,066	753,689	780,066	753,689	3.5
Unemployment Compensation			109,113	142,862	109,113	142,862	(23.6)
Loan			719	654	719	654	9.9
State Lottery			97,605	89,424	97,605	89,424	9.1
Liquor Dispensary			93,204	79,817	93,204	79,817	16.8
Correctional Industries			6,239	5,655	6,239	5,655	10.3
Total Expenses	4,826,680	4,608,146	1,086,946	1,072,101	5,913,626	5,680,247	4.1
Increase (Decrease) in Net Assets before Transfers	821,622	725,110	(105,619)	(174,583)	716,003	550,527	30.1
Transfers	(243,751)	(255,219)	243,751	255,219	0	0	
Change in Net Assets	577,871	469,891	138,132	80,636	716,003	550,527	30.1
Net Assets, Beginning of Year, as Restated	5,767,318	5,297,427	1,213,500	1,132,864	6,980,818	6,430,291	8.6
Net Assets, End of Year	**$6,345,189**	**$5,767,318**	**$1,351,632**	**$1,213,500**	**$7,696,821**	**$6,980,818**	10.3

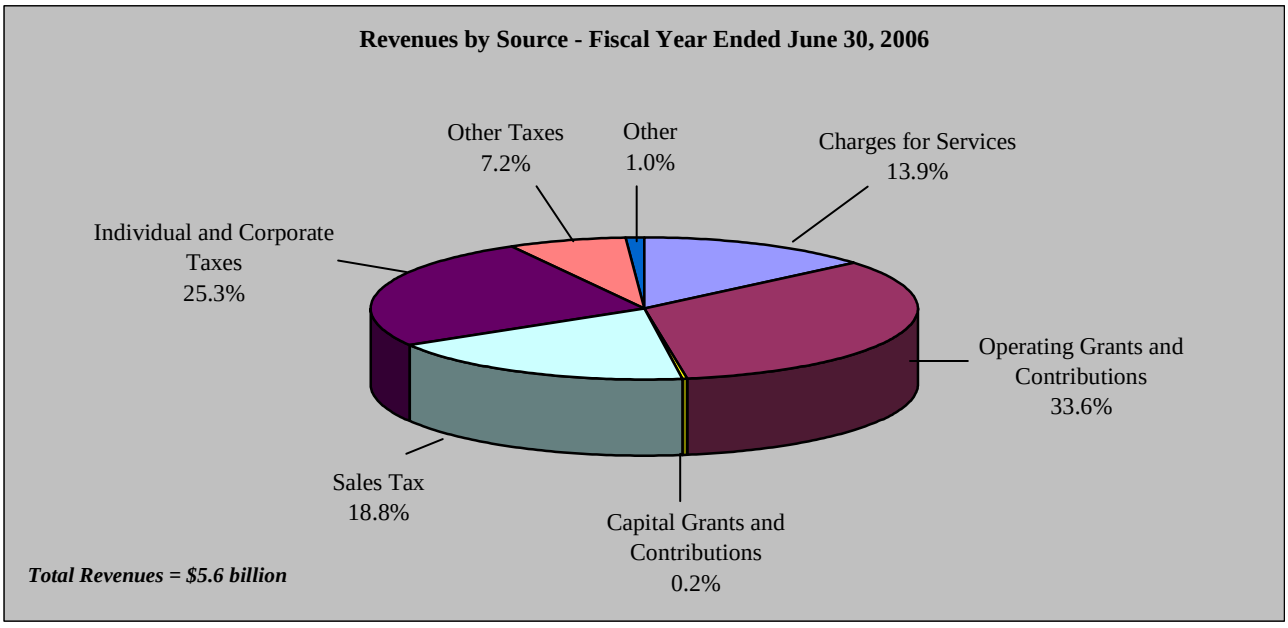
*These columns have been restated. More detailed information can be found in Note 13.
The Total Percent Change column shows the percentage change in operations from fiscal year 2005 to 2006 for each line item. Readers should be cautious when using this column to evaluate the overall change in net assets. Although a line may show a large percentage change (e.g., 44.9 percent for other general revenues, $17.4 million), it may not have as significant of an effect on the overall change in net assets as a change in a more material line item with a smaller percentage change (e.g., 3.4 percent for operating grants and contributions, $69.1 million).

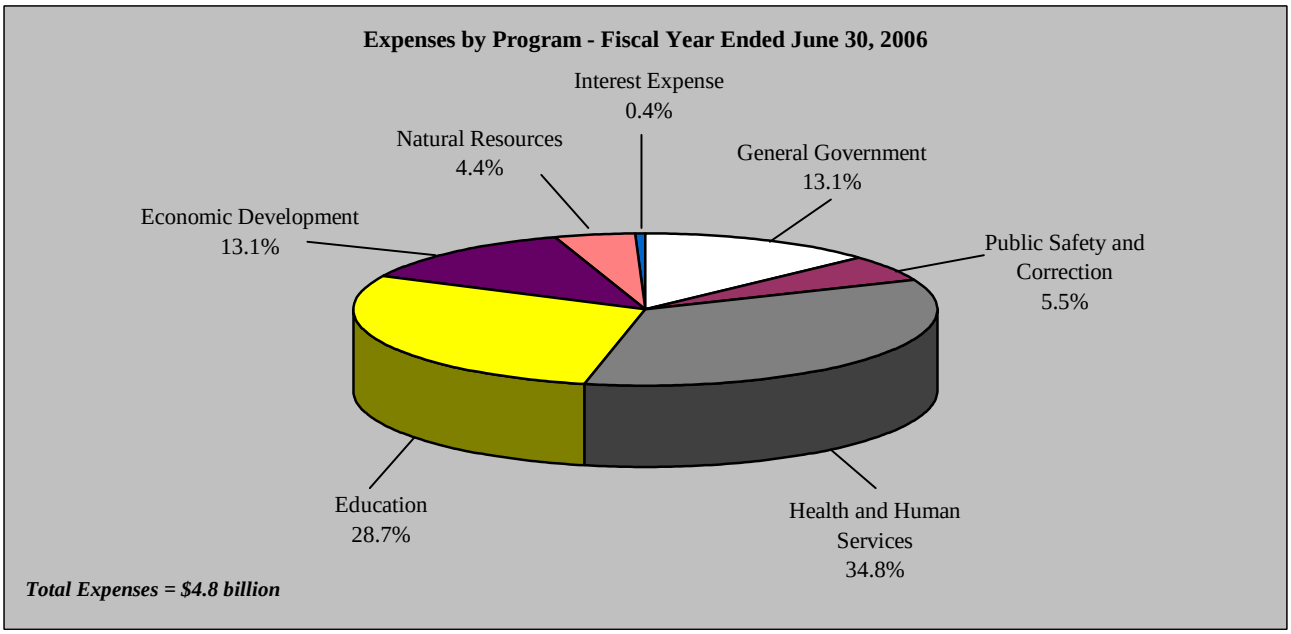
Governmental Activities

The overall financial position for Governmental Activities improved during the fiscal year, as evidenced by the $577.9 million increase in net assets. Key elements of this increase include a 22.4 percent increase ($261.2 million) in individual and corporate income taxes due to increasing levels of employment and

personal income. In addition, revenues from operating grants and contributions increased 3.7 percent ($67.3 million) mainly due to increased federal grants to the Idaho Transportation Department for infrastructure; the Division of Military for homeland security programs; and the Department of Health and Welfare for medical assistance. The revenue increases were offset to a degree by increased expenses and a reduction of sales tax revenues due to the sunset of the temporary one percent sales tax increase. The most significant change in expenses was an increase in Health and Human Services expenses of 4.7 percent ($76.0 million) due to greater assistance payments, mainly related to Medicaid payments. Education expenses increased by 4 percent ($53.7 million) mainly due to expenditures for public school support to increase teacher benefits and participation in the teachers' Early Retirement Program. An increase of 16.1 percent ($36.9 million) for Public Safety and Correction expenses was primarily related to rising institutional costs due to inmate population growth, county jail and out-of-state placements, and the increasing cost of medical services for inmates.

The following charts depict revenues and expenses of the governmental activities:



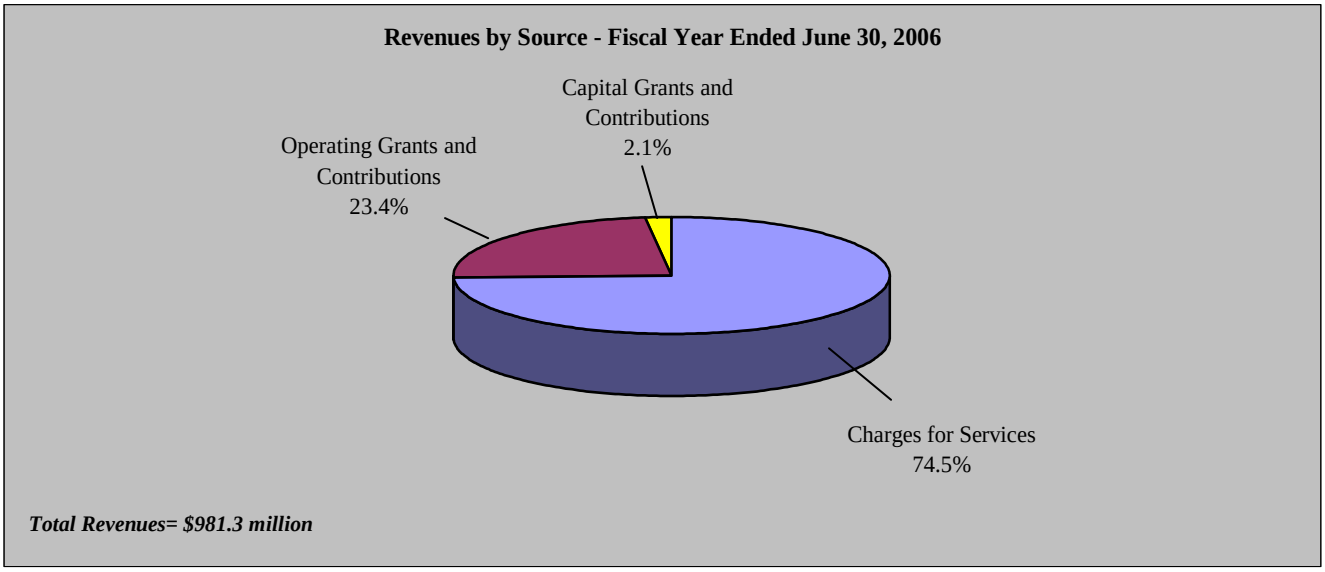


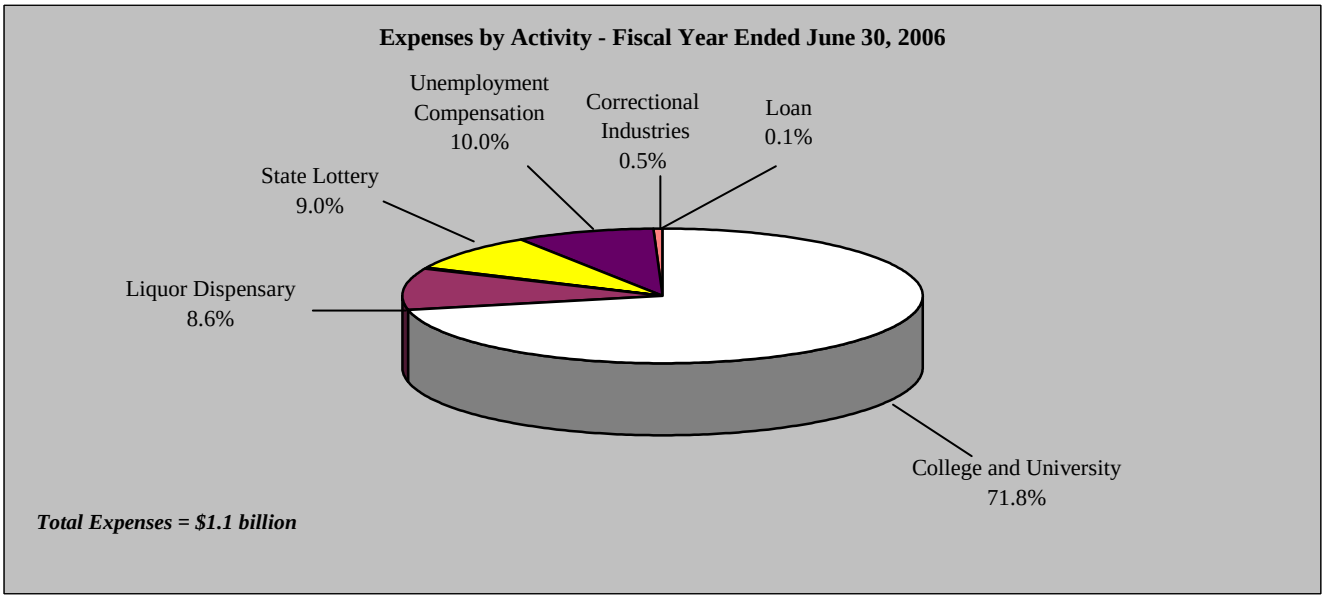
Business-Type Activities

Business-type activities net assets increased by $138.1 million in fiscal year 2006. The largest changes were seen in the following funds:

- College and University net assets increased by $51.2 million primarily due to an increase of $25.2 million in student tuition and fees and an increase of $8.0 million in auxiliary sales of goods and services.
- The Unemployment Compensation fund saw an increase in net assets of $46.7 million primarily due to an $18.9 million increase in assessments relating to unemployment insurance and a $33.9 million decrease in unemployment claims related to low unemployment.

The following charts depict revenues and expenses of the business-type activities:





FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $2.1 billion, an increase of $353.5 million in comparison with the prior fiscal year. Of this amount $1.1 billion (52.4 percent) constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds, but may be limited by state statutes. The remainder of the fund balance, $1.0 billion (47.6 percent), is reserved to indicate that it is not available for new spending because it has been reserved for various commitments, such as liquidation of purchase orders and contracts of the prior period and permanent trusts held for education.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance was $755.6 million and reserved fund balance was $30.4 million. Total fund balance increased $248.5 million (46.2 percent) during the fiscal year, primarily as a result of revenue increases. Individual and corporate tax revenues increased $259.3 million and investment income increased $17.6 million, compared to the prior fiscal year.

Health and Welfare's fund balance decreased from fiscal year 2005's fund balance of $2.5 million to a fund balance of $2.3 million in fiscal year 2006. This decrease was primarily due to an increase in Health and Human Service's costs.

Transportation's fund balance decreased during the current fiscal year by $15.7 million due mainly to an increase of $27.5 million in infrastructure expenditures from the prior fiscal year.

Public School Endowment's fund balance increased $75.4 million in fiscal year 2006, due largely to $46.4 million in receipts from timber sales and land leases, and an increase of $47.3 million in the fair value of investments.

Pooled Endowment's fund balance increased by $34.7 million in fiscal year 2006, mainly attributable to $22.4 million in receipts from timber sales and land leases, and an increase of $22.8 million in the fair value of investments.

Proprietary Funds

Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Enterprise funds are discussed in business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Legislature made final adjustments to the fiscal year 2006 budget based on an estimated 6.5 percent revenue increase. Through March, revenues exceeded that estimate by about $25.0 million. Determining what to do with a $222.6 million surplus was the single biggest concern in fiscal year 2006. During fiscal year 2006 the majority of the surplus was transferred into the Budget Stabilization Fund ($70.0 million); supplementals were granted for Medicaid, indigent health, corrections, and fires ($26.3 million); and a one percent, one-time salary increase for state and school district employees ($14.2 million). For fiscal year 2007 the majority of the remaining surplus will be transferred to the Public Schools Cooperative Fund ($24.0 million); the Permanent Building Fund for prison construction and higher education ($21.0 million); and the Economic Recovery Fund for economic development projects ($23.9 million).

The variance between the original budget and the final budget in the expenditures section of the General Fund Budgetary Comparison Schedule is $30.7 million, a 1.3 percent increase in original expenditure appropriations. The original budget amount represents the original appropriation, prior year reappropriations, and continuous appropriations. The final budget amount includes the original budget plus supplemental (positive or negative) appropriations, Governor's holdbacks, Board of Examiners reductions, object transfers, actual transfers, and receipts to the appropriation. The variation between the final budget and actual spending was a favorable $85.6 million (or 3.5 percent).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006 the State had $5.2 billion (net of accumulated depreciation) invested in a broad range of capital assets, as can be seen in the table below. Depreciation charges for this fiscal year totaled $96.3 million.

Capital Assets as of June 30, 2006 and 2005
(Net of depreciation, dollars in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005*	2006	2005	2006	2005*
Land	$920,053	$900,100	$53,927	$41,019	$973,980	$941,119
Construction in Progress	649,558	599,979	45,287	63,152	694,845	663,131
Infrastructure--not Depreciated	1,829,168	1,826,959			1,829,168	1,826,959
Historial Art and Collections	123	123	2,123	2,222	2,246	2,345
Intangible Assets			24,382	22,573	24,382	22,573
Buildings and Improvements	388,041	352,791	553,716	521,186	941,757	873,977
Improvements Other Than Buildings	30,838	30,575	22,863	22,874	53,701	53,449
Machinery, Equipment, and Other	118,818	117,035	84,025	85,150	202,843	202,185
Infrastructure--Depreciated	465,398	363,175			465,398	363,175
Total	**$4,401,997**	**$4,190,737**	**$786,323**	**$758,176**	**$5,188,320**	**$4,948,913**

*These columns have been restated. More detailed information can be found in Notes 6 and 13.

The total increase in investment in capital assets for the current fiscal year (including additions and deductions) was $239.4 million, or 4.8 percent. This year's major additions include $345.5 million spent for infrastructure assets, which includes construction in progress ($203.7 million), roadways ($4.7 million), rights-of-way ($16.2 million), and bridges and ports of entry ($120.9 million).

The State uses the traditional method of depreciation for its 1,657 bridges and 34 rest areas or ports of entry. The State has adopted the modified approach for reporting roads. Under this alternative method, certain maintenance and preservation costs are expensed and depreciation expense is not reported. Approximately 11,874 lane miles of roads are accounted for under the modified approach. The State manages its roadway network using its Pavement Management System to monitor road surface condition. The pavement surface condition rating is a numerical condition scale ranging from 0.0 (extremely poor) to 5.0 (good). A roadway surface is considered substandard under this approach at less than 2.0. The State's established condition level is to have no more than 18 percent of road surfaces in substandard condition. The latest condition assessment rating showed that the State had 81 percent of its road surfaces in good or fair condition, remaining the same from condition assessment year 2004, and down from 84 percent in condition assessment year 2003. During fiscal year 2006 the State spent $69.5 million to maintain Idaho's road surfaces, down from $79.3 million spent during fiscal year 2005. More detailed information about the State's capital assets is presented in Notes 1 and 6 to the financial statements and in required supplementary information.

Long-Term Debt

Article VIII, Section 1, of the *Idaho Constitution*, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State.

Legislation passed during the 2005 legislative session revised *Idaho Code*, Title 40, to address the increasing need for timely improvements to Idaho's highway infrastructure. The Idaho Transportation Board, with the approval of the Legislature, can approve debt financing for transportation infrastructure projects utilizing future federal-aid highway revenues. Opinions have been received from the Office of the Attorney General, based on the Idaho Supreme Court decision in *Ada County v. Wright*, to the effect that this procedure does not create a

liability of the State in violation of the *Idaho Constitution.*

New debt mainly resulted from the Idaho State Building Authority, the Department of Administration, the Department of Fish and Game, and the Judicial Department, issuing revenue bonds and notes, and acquiring capital leases in the amounts of $10.8 million, $3.9 million, $3.6 million, and $2.1 million, respectively for various projects and equipment.

The shadow rating for the State of Idaho remained the same during the year (Aa2). Since the State does not issue general obligation debt, a shadow rating is a rating given had such debt been issued.

Moody's, an investor rating service, has assigned its top issuer rating of MIG1 for short-term debt to the State with a stable outlook for its tax anticipation notes. The State's conservative debt policies have led to modest state debt levels, falling well below national medians. More detailed information about the State's long-term debt is presented in Notes 1 and 12 to the financial statements.

ECONOMIC FACTS AND NEXT YEAR'S BUDGET

The State experienced an improving economy during fiscal year 2006 and expects the same for fiscal year 2007. The fiscal year 2007 General Fund budget is based on an expected revenue growth of 4.7 percent, the median estimate of the Economic Outlook and Revenue Assessment Committee. The spending blueprint approved by the Legislature for fiscal year 2007 reflects a 5 percent increase over the final fiscal year 2006 appropriation. For the first time in several years the Legislature had the resources to fully fund current program services. This budget blueprint included funding of health insurance increases, a 1.9 percent inflationary increase, and 3 percent funding for a merit-based employee pay increase. In addition to the 3 percent funding, the Legislature provided $5.0 million in general funds to increase compensation for specific job classes that were substantially below the state's prevailing midpoint.

The fiscal year 2007 budget funded Medicaid cost and caseload increases, as well as education enrollment growth in K-12 and higher education. Costs associated with inmate growth in Idaho's corrections system, which will include the construction of a 300-bed medium security prison, also were covered in the fiscal year 2007 budget.

An extraordinary legislative session was held on August 25, 2006, to consider legislation proposed by the Governor to reduce property taxes. The Property Tax Relief Act of 2006 reduced property taxes by approximately $260.0 million by eliminating the public schools maintenance and operation levy and raising the sales tax, effective October 1, from five to six percent. An appropriation of $100.0 million from the General Fund to the Public Education Stabilization Fund replaces the money for the maintenance and operation levy for public schools and protects education funding. An advisory question was placed on the November 2006 general election ballot asking Idaho voters if the State should keep the Act, thereby reducing property taxes and protecting funding for public schools by keeping the sales tax at six percent; the voters approved of the Act.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, the Legislature, investors, and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the State Controller, 700 West State Street, P.O. Box 83720, Boise, ID 83720-0011, (208) 334-3150.

Basic Financial Statements

David Stoecklein - Photographer

David R. Stoecklein has been enjoying the Sun Valley, Idaho, area for many years. Born in Pittsburgh, Pennsylvania, in 1949, he is a self-taught photographer who moved west in 1970 to pursue his passion for the West. After working in California and Utah as a photographer publishing his own work as ski posters and note cards, he moved to Sun Valley, where he began his career as a professional photographer. It was during this time that he worked for the manufacturers of ski equipment and ski apparel companies. From there he branched out to work for companies such as Coca Cola, Delta Airlines, L.L.Bean, Reebok, Fila, Orvis, and Eddie Bauer.



David's photos of skiers, hikers, mountain bikers, fly fishermen, and hunters have been published in nearly every magazine in the United States and in many foreign countries. David's art has been published in excess of thirty thousand times over the last thirty years, and continues to be published daily in the United States.

"The Spirit of the West has moved me, a guy from Pittsburgh, Pennsylvania, ever since that day 32 years ago when I drove into Colorado and saw my first cowboy riding with his herd under the Rocky Mountains," reflects David. His fascination with the ranching heritage of the American West led him to befriend, and subsequently photograph, the men and women still breathing life into the mythical figure of the cowboy. Documenting today's West quickly became his personal mission. David's concern for preserving the traditions and beliefs of our country's honest, hard-working cowboys and cowgirls gradually earned him their respect. With that respect came an open invitation to share in their lives and the great responsibility to honor their trust.



Now David has turned this passion for the West into the focus of most of his professional career and free time. His western photographs appear in an assortment of magazines and advertisements. He has done and continues to do work for companies including Wrangler, Justin Boots, Twentieth Century Fox, Chevrolet, Jeep, Chrysler, Ford, Bayer, and Canon Cameras.

David's photography has also been featured in many prestigious museums across the country including The National Cowboy Hall of Fame in Oklahoma and Cowboy Artists of America Museum in Texas.

Stoecklein Publishing has published 33 coffee table books of David's photography and also offers a line of note cards, prints, calendars, and date books.

Stoecklein Photography and Gallery is located in Ketchum, Idaho, and Stoecklein Publishing is located in Hailey, Idaho. David resides in Sun Valley, Idaho, with his wife, Mary, and their three sons, Drew, Taylor, and Colby. They divide their time between their Sun Valley home and their ranch in Mackay, Idaho.

Photos courtesy of Stoecklein Publishing: www.stoeckleinphotography.com
Left: *Sawtooth Splash*
Right: *The Lesson*

Statement of Net Assets
June 30, 2006
(dollars in thousands)

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
ASSETS			
Cash with Treasurer	$925,717	$82,350	$1,008,067
Cash and Cash Equivalents	8,056	214,678	222,734
Investments	1,117,785	206,771	1,324,556
Securities Lending Collateral	807,844		807,844
Accounts Receivable, Net	50,212	95,798	146,010
Taxes Receivable, Net	276,927		276,927
Internal Balances	927	(927)	
Due from Other Entities	163,922		163,922
Inventories and Prepaid Items	41,019	17,448	58,467
Due from Primary Government			
Due from Component Unit		85,504	85,504
Loans and Notes Receivable, Net	7,580	171,531	179,111
Other Assets	6,002	13,145	19,147
Restricted Assets:			
Cash and Cash Equivalents	125,462	81,350	206,812
Investments	13,898	60,786	74,684
Capital Assets:			
Nondepreciable	3,398,902	125,719	3,524,621
Depreciable, Net	1,003,095	660,604	1,663,699
Total Assets	$7,947,348	$1,814,757	$9,762,105
LIABILITIES			
Accounts Payable	$83,431	$17,428	$100,859
Payroll and Related Liabilities	24,216	34,942	59,158
Medicaid Payable	135,774		135,774
Due to Other Entities	68,792	4,818	73,610
Unearned Revenue	38,009	33,598	71,607
Amounts Held in Trust for Others	5,774	2,214	7,988
Due to Primary Government			
Due to Component Unit		276	276
Obligations Under Securities Lending	807,844		807,844
Other Accrued Liabilities	26,149	12,140	38,289
Long-Term Liabilities:			
Due Within One Year	66,893	33,261	100,154
Due in More Than One Year	345,277	324,448	669,725
Total Liabilities	1,602,159	463,125	2,065,284
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,179,097	467,275	4,646,372
Restricted for:			
Claims and Judgments	39,495		39,495
Debt Service	13,939		13,939
Intergovernmental Revenue Sharing	14,777		14,777
Transportation	105,228		105,228
Regulatory	47,464		47,464
Natural Resources and Recreation	65,075	167,195	232,270
Unemployment Compensation		276,365	276,365
Permanent Trust - Expendable	131,500	73,058	204,558
Permanent Trust - Nonexpendable	863,562	84,672	948,234
Other Purposes	73,636	119,431	193,067
Unrestricted	811,416	163,636	975,052
Total Net Assets	6,345,189	1,351,632	7,696,821
Total Liabilities and Net Assets	$7,947,348	$1,814,757	$9,762,105

The accompanying notes are an integral part of the financial statements.

Component Units
$986
50,771
937,819
10,285
466
3,999
982,769
19,430
16,123
782
20,718
16,125
$2,060,273
$409
14,226
31,439
85,504
71,333
123,835
1,271,000
1,597,746
16,967
142,740
69,376
171,947
61,497
462,527
$2,060,273

The accompanying notes are an integral part of the financial statements.

Statement of Activities
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
FUNCTIONS				
Primary Government				
Governmental Activities				
General Government	$634,262	$306,363	$55,541	$3,124
Public Safety and Correction	266,036	26,757	16,296	545
Health and Human Services	1,676,706	81,516	1,100,985	
Education	1,385,448	9,673	220,171	1,882
Economic Development	629,499	215,735	341,548	65
Natural Resources	213,599	146,400	165,213	3,008
Interest Expense	21,130			
Total Governmental Activities	4,826,680	786,444	1,899,754	8,624
Business-Type Activities				
College and University	780,066	315,924	217,556	20,231
Unemployment Compensation	109,113	159,365	1,563	
Loan	719	9,135	10,783	
State Lottery	97,605	131,305		
Liquor Dispensary	93,204	107,967		
Correctional Industries	6,239	7,498		
Total Business-Type Activities	1,086,946	731,194	229,902	20,231
Total Primary Government	$5,913,626	$1,517,638	$2,129,656	$28,855
Component Units				
Idaho Housing and Finance Association	$70,902	$88,182		
College and University Foundation	51,018	29,734	$49,333	
Petroleum Clean Water Trust	4,101	620		
Health Reinsurance	5,500	3,367		
Bond Bank Authority	1,093	1,087		
Life and Health Insurance Guaranty	686	323		
Total Component Units	$133,300	$123,313	$49,333	

General Revenues
- Sales Tax
- Individual and Corporate Taxes
- Fuel Tax
- Other Taxes
- Tobacco Settlement
- Permanent Endowment Contributions
- Unrestricted Investment Earnings
- Payment from State of Idaho

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year, as Restated

Net Assets - End of Year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
($269,234)		($269,234)	
(222,438)		(222,438)	
(494,205)		(494,205)	
(1,153,722)		(1,153,722)	
(72,151)		(72,151)	
101,022		101,022	
(21,130)		(21,130)	
(2,131,858)		(2,131,858)	
	($226,355)	(226,355)	
	51,815	51,815	
	19,199	19,199	
	33,700	33,700	
	14,763	14,763	
	1,259	1,259	
	(105,619)	(105,619)	
(2,131,858)	(105,619)	(2,237,477)	
			$17,280
			28,049
			(3,481)
			(2,133)
			(6)
			(363)
			39,346
1,061,861		1,061,861	
1,428,996		1,428,996	
224,373		224,373	
182,112		182,112	
21,404		21,404	
			85
34,734		34,734	
			2,723
(243,751)	243,751		
2,709,729	243,751	2,953,480	2,808
577,871	138,132	716,003	42,154
5,767,318	1,213,500	6,980,818	420,373
$6,345,189	$1,351,632	$7,696,821	$462,527

The accompanying notes are an integral part of the financial statements.

Balance Sheet
Governmental Funds
June 30, 2006
(dollars in thousands)

	General	Health and Welfare	Transportation	Public School Endowment
ASSETS				
Cash with Treasurer	$554,321	$43,274	$47,563	$3,891
Cash and Cash Equivalents	2		7	
Investments	76,301		29,788	636,183
Securities Lending Collateral	687,530			81,145
Accounts Receivable, Net	13,619	12,587	3,586	8,377
Taxes Receivable, Net	250,746	167	23,296	
Interfund Receivables	3,956		47	
Due from Other Entities	81	101,502	31,584	
Inventories and Prepaid Items	5,673	4,934	14,803	
Loans and Notes Receivable, Net			332	
Other Assets	63	15	211	1,227
Restricted Assets:				
Cash and Cash Equivalents	39,438	4,469	29,759	
Investments		2,116		
Total Assets	$1,631,730	$169,064	$180,976	$730,823
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$20,902	$11,828	$27,471	$5,505
Payroll and Related Liabilities	8,227	5,369	3,100	
Medicaid Payable		135,774		
Interfund Payables	619	1,355	361	
Due to Other Entities	39,450		29,338	
Deferred Revenue	79,523	8,601	9,017	
Amounts Held in Trust for Others	286	2,636	118	
Obligations Under Securities Lending	687,530			81,145
Other Accrued Liabilities	9,144	1,193	6,343	
Total Liabilities	845,681	166,756	75,748	86,650
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	24,430	4,133	8,532	
Inventories and Prepaid Items	5,673	4,934	14,803	
Noncurrent Receivables	301			
Permanent Trusts				581,894
Other Purposes		3,607	415	
Unreserved, Reported in:				
General Fund	755,645			
Special Revenue Funds		(10,366)	81,478	
Permanent Funds				62,279
Total Fund Balances	786,049	2,308	105,228	644,173
Total Liabilities and Fund Balances	$1,631,730	$169,064	$180,976	$730,823

The accompanying notes are an integral part of the financial statements.

Pooled Endowment	Nonmajor Special Revenue	Total
$167	$172,184	$821,400
	8,047	8,056
307,091	34,732	1,084,095
39,169		807,844
3,686	8,152	50,007
	2,718	276,927
	1,906	5,909
	30,755	163,922
	12,507	37,917
	7,248	7,580
592	561	2,669
	51,796	125,462
	11,782	13,898
$350,705	$342,388	$3,405,686
$2,646	$14,532	$82,884
	7,147	23,843
		135,774
	3,433	5,768
	4	68,792
	20,303	117,444
	2,734	5,774
39,169		807,844
	6,401	23,081
41,815	54,554	1,271,204
	13,939	13,939
	17,943	55,038
	12,507	37,917
	8,744	9,045
276,518	5,150	863,562
	32,717	36,739
		755,645
	196,834	267,946
32,372		94,651
308,890	287,834	2,134,482
$350,705	$342,388	$3,405,686

The accompanying notes are an integral part of the financial statements.

GREAT SEAL OF
ESTO PERPETUA
THE STATE OF IDAHO

Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Assets
June 30, 2006
(dollars in thousands)

Total Fund Balances - Governmental Funds		$2,134,482
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:		
Land	$920,053	
Construction in Progress	649,558	
Infrastructure	2,436,961	
Historical Art and Collections	72	
Buildings and Improvements	597,979	
Improvements Other Than Buildings	43,395	
Machinery, Equipment, and Other	305,531	
Accumulated Depreciation	(567,980)	
Total Capital Assets		4,385,569
Some of the State's revenue will be collected after year-end but is not available soon enough to pay for the current period's expenditures and therefore is deferred in the funds.		90,852
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		107,828
Bond issue costs are reported as current expenditures in the funds. However, these costs are deferred on the Statement of Net Assets.		3,095
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:		
Capital Leases Payable	(13,650)	
Compensated Absences Payable	(119,149)	
Bonds and Notes Payable	(205,216)	
Accrued Interest on Bonds	(3,065)	
Claims and Judgments	(34,486)	
Other Long-Term Liabilities	(1,071)	
Total Long-Term Liabilities		(376,637)
Net Assets - Governmental Activities		$6,345,189

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	General	Health and Welfare	Transportation	Public School Endowment
REVENUES				
Sales Tax	$1,055,812			
Individual and Corporate Taxes	1,436,168			
Other Taxes	62,993	$1,735	$215,746	
Licenses, Permits, and Fees	16,813	3,832	113,828	
Sale of Goods and Services	64,287	75,101	4,685	$46,399
Grants and Contributions	2,818	1,100,765	272,881	
Investment Income	36,655	319	2,701	62,769
Tobacco Settlement	21,253			
Other Income	22,903	2,249	1,194	
Total Revenues	2,719,702	1,184,001	611,035	109,168
EXPENDITURES				
Current:				
General Government	101,259			
Public Safety and Correction	204,196			
Health and Human Services	28,669	1,612,485		
Education	1,164,499			
Economic Development	19,093		165,417	
Natural Resources	36,543			13,708
Capital Outlay	78,311	3,480	326,734	
Intergovernmental Revenue Sharing	198,446	36,015	124,550	
Debt Service:				
Principal Retirement	226		1,167	
Interest and Other Charges	10,685			
Total Expenditures	1,841,927	1,651,980	617,868	13,708
Revenues Over (Under) Expenditures	877,775	(467,979)	(6,833)	95,460
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Capital Lease Acquisitions				
Sale of Capital Assets	104	260	6,930	3,054
Transfers In	130,406	467,678		
Transfers Out	(759,776)	(198)	(15,796)	(23,087)
Total Other Financing Sources (Uses)	(629,266)	467,740	(8,866)	(20,033)
Net Change in Fund Balances	248,509	(239)	(15,699)	75,427
Fund Balances - Beginning of Year, as Restated	537,540	2,547	120,927	568,746
Fund Balances - End of Year	$786,049	$2,308	$105,228	$644,173

The accompanying notes are an integral part of the financial statements.

Pooled Endowment	Nonmajor Special Revenue	Total
	$4,800	$1,060,612
		1,436,168
	125,862	406,336
	122,427	256,900
$22,415	51,334	264,221
	430,285	1,806,749
30,288	11,827	144,559
		21,253
	21,260	47,606
52,703	767,795	5,444,404
	46,186	147,445
	49,308	253,504
	267	1,641,421
	215,276	1,379,775
	174,304	358,814
5,298	133,235	188,784
	43,868	452,393
	66,403	425,414
	9,358	10,751
	10,051	20,736
5,298	748,256	4,879,037
47,405	19,539	565,367
	10,790	10,790
	(23)	(23)
	5,697	5,697
	6,845	17,193
4,600	38,092	640,776
(17,258)	(70,225)	(886,340)
(12,658)	(8,824)	(211,907)
34,747	10,715	353,460
274,143	277,119	1,781,022
$308,890	$287,834	$2,134,482

The accompanying notes are an integral part of the financial statements.

GREAT SEAL OF
ESTO PERPETUA
THE STATE OF IDAHO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2006

(dollars in thousands)

Net Change in Fund Balances - Governmental Funds		$353,460
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Capital outlays exceeded depreciation expense in the current year by the following amount:		
Capital Outlay	$274,510	
Depreciation Expense	(51,766)	
		222,744
Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities but only proceeds from sales are reported in the governmental funds.		(14,424)
Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. In the current year deferred revenue decreased.		(2,981)
The issuance of long-term debt provides current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current year the following debt was incurred:		
Bonds and Notes	(10,790)	
Discount on Bonds Issued	23	
Capital Leases	(5,697)	
		(16,464)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year these amounts consisted of:		
Bond and Note Principal	9,930	
Bond Issue Costs	223	
Capital Leases	821	
		10,974
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease long-term liabilities reported in the Statement of Net Assets. In the current year these amounts consisted of:		
Accrued Interest and Amortization	(333)	
Compensated Absences	(7,632)	
Other Long-Term Liabilities	2,055	
		(5,910)
Internal service funds are reported separately from governmental funds in the fund statements. In the government-wide statements, internal service funds are included with governmental activities.		30,472
Change in Net Assets - Governmental Activities		$577,871

The accompanying notes are an integral part of the financial statements.

Statement of Net Assets
Proprietary Funds
June 30, 2006
(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
ASSETS				
Current Assets				
Cash with Treasurer	$22,911	$9,805	$33,555	$16,079
Cash and Cash Equivalents	73,132	141,241		305
Investments	19,959			
Accounts Receivable, Net	48,576	46,034		1,188
Interfund Receivables	2,127			332
Inventories and Prepaid Items	6,955			10,493
Due from Component Unit	832			
Loans and Notes Receivable, Net	4,088		5,944	
Other Current Assets	753	574	3,039	202
Total Current Assets	179,333	197,654	42,538	28,599
Noncurrent Assets				
Restricted Cash and Cash Equivalents	2,856		41,166	37,328
Investments	105,773	81,039		
Restricted Investments	16,828		43,958	
Due from Component Unit	84,672			
Loans and Notes Receivable, Net	20,297		141,202	
Other Noncurrent Assets	8,577			
Capital Assets, Net	752,498		29,030	4,795
Total Noncurrent Assets	991,501	81,039	255,356	42,123
Total Assets	$1,170,834	$278,693	$297,894	$70,722
LIABILITIES				
Current Liabilities				
Accounts Payable	$9,905	$2,328		$5,195
Payroll and Related Liabilities	34,537			405
Interfund Payables	3,386			
Due to Other Entities			$11	4,807
Unearned Revenue	16,676		16,917	5
Amounts Held in Trust for Others	2,214			
Due to Component Unit	276			
Other Accrued Liabilities	9,327		310	2,503
Capital Leases Payable	422			
Capital Leases Payable to Component Unit	250			
Compensated Absences Payable	16,303			683
Bonds and Notes Payable	13,638		1,965	
Policy Claim Liabilities				
Total Current Liabilities	106,934	2,328	19,203	13,598
Noncurrent Liabilities				
Capital Leases Payable	1,287			
Capital Leases Payable to Component Unit	3,172			
Bonds and Notes Payable	309,914		10,075	
Policy Claim Liabilities				
Total Noncurrent Liabilities	314,373		10,075	
Total Liabilities	421,307	2,328	29,278	13,598
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	445,490		16,990	4,795
Restricted for:				
Claims and Judgments				
Permanent Trust - Expendable	73,058			
Permanent Trust - Nonexpendable	84,672			
Other Purposes			84,431	35,000
Unrestricted	146,307	276,365	167,195	17,329
Total Net Assets	749,527	276,365	268,616	57,124
Total Liabilities and Net Assets	$1,170,834	$278,693	$297,894	$70,722

The accompanying notes are an integral part of the financial statements.

Total	Governmental Activities Internal Service Funds
$82,350	$104,317
214,678	
19,959	
95,798	205
2,459	836
17,448	3,102
832	
10,032	
4,568	238
448,124	108,698
81,350	
186,812	33,690
60,786	
84,672	
161,499	
8,577	
786,323	16,428
1,370,019	50,118
$1,818,143	$158,816
$17,428	$547
34,942	373
3,386	50
4,818	
33,598	11,417
2,214	
276	
12,140	3
422	114
250	
16,986	690
15,603	89
	6,542
142,063	19,825
1,287	165
3,172	
319,989	3,666
	27,332
324,448	31,163
466,511	50,988
467,275	12,394
	39,495
73,058	
84,672	
119,431	
607,196	55,939
1,351,632	107,828
$1,818,143	$158,816

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	Business-Type Activities--Enterprise Funds			
	College and University	Unemployment Compensation	Loan	Nonmajor Enterprise Funds
OPERATING REVENUES				
Assessments		$156,437		
Licenses, Permits, and Fees	$102,146		$450	$2
Student Fees Pledged for Revenue Bonds	138,670			
Scholarship Allowances	(43,221)			
Sale of Goods and Services	28,228		520	245,984
Sale of Goods and Services Pledged for Revenue Bonds	66,000		876	
Grants and Contributions	177,209	1,563	10,783	
Grants and Contributions Pledged for Revenue Bonds	2,563			
Investment Income	171		4,155	
Other Income	7,685			103
Other Income Pledged for Revenue Bonds	1,979			
Total Operating Revenues	481,430	158,000	16,784	246,089
OPERATING EXPENSES				
Personnel Costs	477,994			12,375
Services and Supplies	188,050		212	83,458
Benefits, Awards, and Premiums	41,714	108,929		76,679
Depreciation	42,267		137	644
Other Expenses	13,302	184	23	3,285
Total Operating Expenses	763,327	109,113	372	176,441
Operating Income (Loss)	(281,897)	48,887	16,412	69,648
NONOPERATING REVENUES (EXPENSES)				
Gifts and Grants	37,784			
Investment Income	11,451	2,928	3,134	678
Investment Income Pledged for Revenue Bonds	2,636			
Interest Expense	(15,513)		(347)	
Intergovernmental Distributions				(20,607)
Gain (Loss) on Sale of Capital Assets	(1,226)			
Other Nonoperating Revenues (Expenses)	179			3
Total Nonoperating Revenues (Expenses)	35,311	2,928	2,787	(19,926)
Income (Loss) Before Contributions and Transfers	(246,586)	51,815	19,199	49,722
Capital Contributions	20,231			
Transfers In	277,542		5,600	
Transfers Out		(5,096)		(34,295)
Change in Net Assets	51,187	46,719	24,799	15,427
Total Net Assets - Beginning of Year, as Restated	698,340	229,646	243,817	41,697
Total Net Assets - End of Year	$749,527	$276,365	$268,616	$57,124

The accompanying notes are an integral part of the financial statements.

Total	Governmental Activities Internal Service Funds
$156,437	
102,598	
138,670	
(43,221)	
274,732	$210,334
66,876	
189,555	45
2,563	
4,326	
7,788	910
1,979	
902,303	211,289
490,369	11,918
271,720	16,546
227,322	154,314
43,048	1,475
16,794	2,640
1,049,253	186,893
(146,950)	24,396
37,784	
18,191	4,710
2,636	
(15,860)	(447)
(20,607)	
(1,226)	(2)
182	2
21,100	4,263
(125,850)	28,659
20,231	
283,142	1,830
(39,391)	(17)
138,132	30,472
1,213,500	77,356
$1,351,632	$107,828

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	Business-Type	
	College and University	**Unemployment Compensation**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Assessments		$157,264
Receipts from Customers	$292,006	
Receipts for Interfund Services		
Receipts from Grants and Contributions	178,274	1,563
Payments to Suppliers	(184,268)	
Payments to Employees	(484,702)	
Payments for Interfund Services		
Payments for Benefits, Awards, and Claims	(41,916)	(109,360)
Other Receipts (Payments)	(2,312)	(184)
Net Cash Provided (Used) by Operating Activities	(242,918)	49,283
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Gifts, Grants, and Endowments Received	36,578	
Intergovernmental Distributions		
Transfers In	277,542	
Transfers Out		(5,096)
Interest Paid		
Other Receipts (Payments)	(333)	
Net Cash Provided (Used) by Noncapital Financing Activities	313,787	(5,096)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants and Contributions	10,408	
Bonds Issued		
Payment of Notes and Bonds	(12,048)	
Payment of Interest	(15,984)	
Capital Lease Payments		
Proceeds from Disposition of Capital Assets		
Acquisition and Construction of Capital Assets	(53,716)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(71,340)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	9,445	5,554
Purchase of Investments	(250,048)	(4,254)
Redemption of Investments	238,679	
Net Cash Provided (Used) by Investing Activities	(1,924)	1,300
Net Increase (Decrease) in Cash and Cash Equivalents	(2,395)	45,487
Beginning Cash, Cash Equivalents, and Cash with Treasurer, as Restated	101,294	105,559
Ending Cash, Cash Equivalents, and Cash with Treasurer	$98,899	$151,046
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	($281,897)	$48,887
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	42,325	
Maintenance Costs Paid by Dept. of Public Works	1,864	
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables	(2,342)	827
Inventories and Prepaid Items	298	
Notes Receivable	141	
Other Current Assets	999	
Accounts Payable/Interfund Payables	424	(431)
Unearned Revenue		
Compensated Absences	511	
Policy Claim Liabilities		
Other Accrued Liabilities	(5,241)	
Net Cash Provided (Used) by Operating Activities	($242,918)	$49,283

Noncash Transactions (dollars in thousands):

Investments increased in fair value by $4,421 for college and universities; decreased in fair value by $2,631 for Unemployment Compensation, $1,758 for the Loan fund, and $1,105 for internal service funds. Capital assets were donated to college and universities in the amount of $8,003 and acquired by notes payable in the amount of $1,809 for the Loan fund and $3,859 for internal service funds. Internal service funds acquired capital assets by capital lease in the amount of $85 and disposed of capital assets at a loss of $2.

The accompanying notes are an integral part of the financial statements.

Activities--Enterprise Funds			Governmental Activities
Loan	Nonmajor Enterprise Funds	Total	Internal Service Funds
		$157,264	
$28,008	$245,782	565,796	$628
499	20	519	210,713
10,783		190,620	49
(38,641)	(88,101)	(311,010)	(14,013)
	(13,014)	(497,716)	(12,196)
(13)	(91)	(104)	(3,729)
	(77,679)	(228,955)	(157,703)
(23)		(2,519)	
613	66,917	(126,105)	23,749
		36,578	
	(17,360)	(17,360)	
5,600		283,142	1,830
	(34,295)	(39,391)	(17)
(356)		(356)	(440)
		(333)	
5,244	(51,655)	262,280	1,373
		10,408	
5,340		5,340	
(6,460)		(18,508)	(104)
		(15,984)	
	(51)	(51)	(460)
	3	3	2
	(359)	(54,075)	(348)
(1,120)	(407)	(72,867)	(910)
4,581	678	20,258	5,802
(45,716)		(300,018)	(3,391)
		238,679	
(41,135)	678	(41,081)	2,411
(36,398)	15,533	22,227	26,623
111,119	38,179	356,151	77,694
$74,721	$53,712	$378,378	$104,317
$16,412	$69,648	($146,950)	$24,396
137	644	43,106	1,475
		1,864	
	(271)	(1,786)	(474)
	(1,975)	(1,677)	1,105
(32,738)		(32,597)	
(115)	39	923	
	484	477	339
16,917	(14)	16,903	575
	(147)	364	51
			(3,389)
	(1,491)	(6,732)	(329)
$613	$66,917	($126,105)	$23,749

The accompanying notes are an integral part of the financial statements.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006
(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust	Agency
ASSETS				
Cash with Treasurer	$2,187			$30,779
Cash and Cash Equivalents	1,633		$154	9,251
Investments:				
Pooled Short Term	552,175	$393,605	5,477	
Fixed Income Investments	2,474,611	132,814		192,311
Marketable Securities	6,270,546			
Mutual Funds and Private Equities	524,252		71,902	
Mortgages and Real Estate	455,004	538,665		
Other Investments			13,473	6,568
Securities Lending Collateral		613,927		
Receivables:				
Investments Sold	923,680		6	
Contributions	4,666			
Interest and Dividends	45,217	8,159	22	78
Interfund Receivables	1,572			
Other Receivables	142		18	
Other Assets	31,647			
Capital Assets, Net	2,851			
Total Assets	11,290,183	1,687,170	91,052	$238,987
LIABILITIES				
Accounts Payable	293		49	
Payroll and Related Liabilities				6,376
Interfund Payables	1,572			
Due to Other Entities				661
Amounts Held in Trust for Others				228,614
Obligations Under Securities Lending		613,927		
Investments Purchased	1,354,246		34	
Other Accrued Liabilities	8,148	3,991		3,336
Total Liabilities	1,364,259	617,918	83	$238,987
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	9,726,761			
Postemployment Healthcare Benefits	199,163			
External Investment Pool Participants		1,069,252		
Trust Beneficiaries			90,969	
Total Net Assets	$9,925,924	$1,069,252	$90,969	

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	Pension Trust	Investment Trust	College Savings Private-Purpose Trust
ADDITIONS			
Contributions:			
Member	$180,497		
Employer	280,418		
Transfers In from Other Plans	6,246		
Participant Deposits		$2,199,724	$25,195
Total Contributions	467,161	2,199,724	25,195
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	803,441	(44,428)	1,374
Interest, Dividends, and Other	270,192	43,678	3,890
Securities Lending Income		689	
Less Investment Expense:			
Investment Activity Expense	(41,316)	(439)	
Securities Lending Expense		(190)	
Net Investment Income	1,032,317	(690)	5,264
Miscellaneous Income	1,666		
Total Additions	1,501,144	2,199,034	30,459
DEDUCTIONS			
Benefits and Refunds Paid to Plan Members	433,074		
Transfers Out to Other Plans	4,041		
Administrative Expense	7,395		473
Earnings Distribution		37,146	
Participant Withdrawals		2,247,219	8,184
Total Deductions	444,510	2,284,365	8,657
Change in Net Assets Held in Trust for:			
Employee Pension Benefits	1,040,924		
Employee Postemployment Healthcare Benefits	15,710		
External Investment Pool Participants		(85,331)	
Trust Beneficiaries			21,802
Net Assets - Beginning of Year	8,869,290	1,154,583	69,167
Net Assets - End of Year	$9,925,924	$1,069,252	$90,969

The accompanying notes are an integral part of the financial statements.

Statement of Net Assets
Component Units
June 30, 2006
(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
ASSETS				
Current Assets				
Cash with Treasurer			$986	
Cash and Cash Equivalents	$26,964	$19,789	2,328	$873
Investments	214,213	12,135	4,279	
Accounts Receivable, Net		9,829	356	100
Inventories and Prepaid Items		10		456
Due from Primary Government		548		
Loans and Notes Receivable, Net	217,065	53		
Other Current Assets	14,194	1,435		
Total Current Assets	472,436	43,799	7,949	1,429
Noncurrent Assets				
Restricted Cash and Cash Equivalents		16,123		
Investments	379,951	281,415	26,076	12,540
Restricted Investments		782		
Due from Primary Government		3,451		
Loans and Notes Receivable, Net	736,821	871		
Other Noncurrent Assets		2,096		
Capital Assets, Net	6,228	30,615		
Total Noncurrent Assets	1,123,000	335,353	26,076	12,540
Total Assets	$1,595,436	$379,152	$34,025	$13,969
LIABILITIES				
Current Liabilities				
Accounts Payable		$335		$63
Unearned Revenue		2,974		11,243
Amounts Held in Trust for Others	$8,861	13,788		
Due to Primary Government		832		
Other Accrued Liabilities	69,311	48	$90	456
Bonds and Notes Payable	114,240	4,285		
Policy Claim Liabilities			2,136	2,207
Total Current Liabilities	192,412	22,262	2,226	13,969
Noncurrent Liabilities				
Amounts Held in Trust for Others		8,790		
Due to Primary Government		84,672		
Bonds and Notes Payable	1,215,400	23,015		
Policy Claim Liabilities			5,048	
Total Noncurrent Liabilities	1,215,400	116,477	5,048	
Total Liabilities	1,407,812	138,739	7,274	13,969
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,228	10,739		
Restricted for:				
Debt Service	142,740			
Permanent Trust - Expendable		69,376		
Permanent Trust - Nonexpendable		171,947		
Unrestricted	38,656	(11,649)	26,751	
Total Net Assets	187,624	240,413	26,751	
Total Liabilities and Net Assets	$1,595,436	$379,152	$34,025	$13,969

The accompanying notes are an integral part of the financial statements.

Bond Bank Authority	Life and Health Insurance Guaranty	Total
		$986
	$817	50,771
$1	7,209	237,837
		10,285
		466
		548
960		218,078
1,669	36	17,334
2,630	8,062	536,305
		16,123
		699,982
		782
		3,451
26,999		764,691
		2,096
		36,843
26,999		1,523,968
$29,629	$8,062	$2,060,273
	$11	$409
	9	14,226
		22,649
		832
$1,089	339	71,333
960		119,485
	7	4,350
2,049	366	233,284
		8,790
		84,672
27,537		1,265,952
		5,048
27,537		1,364,462
29,586	366	1,597,746
		16,967
		142,740
		69,376
		171,947
43	7,696	61,497
43	7,696	462,527
$29,629	$8,062	$2,060,273

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Component Units
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	Idaho Housing and Finance Association	College and University Foundation	Petroleum Clean Water Trust	Health Reinsurance
OPERATING REVENUES				
Licenses, Permits, and Fees	$8,233		$99	
Sale of Goods and Services		$70		$3,179
Grants and Contributions		49,333		
Investment Income	78,064	2,412		
Other Income	1,730	1,054	2	
Total Operating Revenues	88,027	52,869	101	3,179
OPERATING EXPENSES				
Personnel Costs	6,433	1,341		
Services and Supplies	3,794	2,549	1,383	280
Benefits, Awards, and Premiums	715	45,565	2,718	5,219
Interest Expense	59,414	21		
Depreciation	475	326		
Other Expenses	71	223		
Total Operating Expenses	70,902	50,025	4,101	5,499
Operating Income (Loss)	17,125	2,844	(4,000)	(2,320)
NONOPERATING REVENUES (EXPENSES)				
Payment from State of Idaho		590		2,133
Investment Income		13,707	519	188
Interest Expense		(993)		(1)
Gain (Loss) on Sale of Capital Assets		2,552		
Other Nonoperating Revenues (Expenses)	155	9,939		
Total Nonoperating Revenues (Expenses)	155	25,795	519	2,320
Income (Loss) Before Contributions	17,280	28,639	(3,481)	
Contributions to Permanent Endowments		85		
Change in Net Assets	17,280	28,724	(3,481)	
Total Net Assets - Beginning of Year, as Restated	170,344	211,689	30,232	
Total Net Assets - End of Year	$187,624	$240,413	$26,751	$0

The accompanying notes are an integral part of the financial statements.

Bond Bank Authority	Life and Health Insurance Guaranty	Total
		$8,332
	$110	3,359
		49,333
$1,087		81,563
	30	2,816
1,087	140	145,403
	84	7,858
	93	8,099
	63	54,280
1,093		60,528
		801
	446	740
1,093	686	132,306
(6)	(546)	13,097
		2,723
	183	14,597
		(994)
		2,552
		10,094
	183	28,972
(6)	(363)	42,069
		85
(6)	(363)	42,154
49	8,059	420,373
$43	$7,696	$462,527

The accompanying notes are an integral part of the financial statements.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Idaho have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting principles.

In November 2003 the GASB issued Statement No. 42, *Impairment of Capital Assets and Insurance Recovery*. This Statement establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The State implemented this Statement during the fiscal year ended June 30, 2006.

In June 2005 the GASB issued Statement No. 47, *Accounting for Termination Benefits*. This Statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are terminated. The State implemented this Statement during the fiscal year ended June 30, 2006.

The financial statements are presented as of and for the year ended June 30, 2006, except for the Idaho State Bar, the Idaho Dairy Products Commission (nonmajor special revenue fund), the Petroleum Clean Water Trust Fund, the Idaho Life and Health Insurance Guaranty Association, the Idaho Individual High Risk Reinsurance Pool, and the Idaho Small Employer Health Reinsurance Program (discretely presented component units), whose statements are as of and for the fiscal year ended December 31, 2005; and the Idaho Potato Commission (nonmajor special revenue fund) whose statements are as of and for the year ended August 31, 2006.

A. Reporting Entity

The State of Idaho is governed under the *Idaho Constitution* of 1890, as amended. The legislative power is vested in a 35-member Senate and a 70-member House of Representatives; executive power is vested in the Governor, Lieutenant Governor, Secretary of State, State Controller, State Treasurer, Attorney General, and Superintendent of Public Instruction; and the judicial power is vested in the Idaho Supreme Court, the Idaho Court of Appeals, and district courts.

For financial reporting purposes, the State of Idaho's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, boards, commissions, colleges and universities, and authorities that are considered an integral part of the State. Component units are legally separate organizations for which the State is financially accountable or other organizations for which the nature and significance of their relationships with the State are such that exclusion would cause the financial statements to be misleading or incomplete. Financial accountability exists if the State appoints a voting majority of the organization's governing board and either 1) is able to impose its will on the organization or 2) a potential exists for the organization to provide financial benefits to, or impose financial burdens on, the State.

For those entities in which the State does not appoint a voting majority of the governing body, inclusion of the reporting entity is required if an organization is fiscally dependent on the State. Component units also include legally separate and tax-exempt organizations whose economic resources directly benefit the State, the State is entitled to or has the ability to access those resources, and the resources are significant to the State.

Blended Component Unit

Blended component units are legally separate from the State but are so intertwined with the State that they are, in substance, the same as the State. The component units are reported as part of the State and blended into the appropriate funds.

The *Idaho State Building Authority* was created by *Idaho Code*, Section 67-6403, to finance and construct facilities, such as office buildings and parking garages, to be used and leased by the State. The Authority relies on the State's leasing agreements, resulting in a significant financial benefit/burden relationship; and the Authority provides services entirely to the State of Idaho. The Idaho State Building Authority is blended as a nonmajor special revenue fund.

Discretely Presented Component Units

Discretely presented component units are legally separate from the State but are financially accountable to the State, or their relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. These component units are reported in a separate column to emphasize that they are legally separate from the primary government.

The *Idaho Housing and Finance Association* was created by *Idaho Code*, Section 67-6202, for the purpose of building and rehabilitating residential housing for persons of low income and for facilitating the issuance of bonds or notes to finance projects for transportation infrastructure of the primary government. The Association is authorized to enter into agreements with the Idaho Transportation Department to facilitate transportation projects, including issuing bonds, thereby creating a financial benefit/burden relationship. The Governor appoints the Association board members. The Association is presented discretely as an enterprise fund.

The *College and University Foundation* fund includes the foundations of Boise State University, Eastern Idaho Technical College, Idaho State University, Lewis-Clark State College, and the University of Idaho. The foundations were established for the purpose of soliciting donations and to hold and manage invested donations for the primary benefit of the respective colleges and universities. The College and University Foundation fund is presented discretely as an enterprise fund.

The *Petroleum Clean Water Trust Fund* was created by *Idaho Code*, Section 41-4905, to provide pollution liability insurance for eligible owners and operators of petroleum storage tanks. The Fund is subject to the direction and supervision of the manager of the State Insurance Fund. The State approves, and may modify, the Fund's annual budget and thereby has the ability to impose its will on the Fund. The Fund is presented discretely as an enterprise fund.

The *Life and Health Insurance Guaranty Association* is a nonprofit organization authorized by the *Idaho Life and Health Insurance Guaranty Association Act* of 1977, *Idaho Code*, Section 41-4306. The Act was passed to provide a mechanism for the payment of covered claims under certain insurance policies when an insurer becomes insolvent. All insurance companies that sell direct and supplemental life, disability policies, and annuity contracts are required to be members of the Association as a condition of their authority to transact business in Idaho. Member insurers select the board members; however, the director of the Department of Insurance has veto power and may dismiss management at will. Insurers may offset assessments against their premium taxes (thereby reducing tax revenues to the State). This imposes a potential direct financial burden on the State. The Association is presented discretely as an enterprise fund.

The *Idaho Bond Bank Authority* was created by *Idaho Code*, Section 67-8703, authorizing the Authority to issue bonds to make loans to municipalities for infrastructure. The Authority can obtain better credit ratings, interest rates, and lower underwriting costs than municipalities can achieve individually. The Authority is administered by a five member board, of which two members are appointed by the governor and three are elected officials. The Authority can obligate sales tax revenue as a source of payment or security for bonds issued, which imposes a potential direct financial burden on the State. The Authority is presented discretely as an enterprise fund.

The Health Reinsurance fund includes the *Idaho Individual High Risk Reinsurance Pool* created by *Idaho Code*, Section 41-5502; and the *Idaho Small Employer Health Reinsurance Program* created by *Idaho Code*, Section 41-4711. Both the Pool and the Program are intended to promote the availability of health insurance coverage, regardless of health or claims experience, by providing a safety net to carriers in the form of a risk pool and reinsurance mechanism and to facilitate the guaranteed issue of standardized state approved health benefit plans. Both the Pool and Program operate subject to the supervision and control of the same ten-member board, a majority of which is appointed by the director of the Department of Insurance. Due to the level of authorized oversight of the Department of Insurance, the State has the ability to impose its will on these programs. The Pool is partially funded through state premium tax revenue creating a financial burden for the State. The assets of the Pool and Program are restricted for specific purposes and are not subject to appropriation by the Idaho Legislature for other uses. The Pool and the Program are presented discretely together as an enterprise fund.

Financial statements for the component units may be obtained as follows:

Idaho State Building Authority
960 Broadway Avenue, Suite 500
Boise, ID 83706

Idaho Housing and Finance Association
565 W. Myrtle
P.O. Box 7899
Boise, ID 83707-1899

Boise State University Foundation, Inc.
2225 W. University Drive
MS 1030
Boise, ID 83725

Eastern Idaho Technical College Foundation, Inc.
1600 S. 25th E.
Idaho Falls, ID 83404

Idaho State University Foundation, Inc.
921 S. 8th Avenue
Campus Box 8050
Pocatello, ID 83209

Lewis-Clark State College Foundation, Inc.
Lewis-Clark State College
Controller's Office
500 8th Avenue
Lewiston, ID 83501

University of Idaho Foundation, Inc.
1106 Blake Avenue
P.O. Box 443150
Moscow, ID 83844-3150

Idaho Petroleum Clean Water Trust Fund
1215 W. State Street
P.O. Box 83720
Boise, ID 83720-0044

Idaho Life and Health Insurance Guaranty Association
4700 N. Cloverdale Road #204
Boise, ID 83713-1068

Idaho Individual High Risk Reinsurance Pool
Idaho Small Employer Health Reinsurance Program
P.O. Box 7186
Boise, ID 83707

Idaho Bond Bank Authority
700 W. Jefferson, Room 102
P.O. Box 83720
Boise, ID 83720-0091

Related Organizations

The *State Insurance Fund*, created by *Idaho Code*, Section 72-901, and the *Health Facilities Authority*, created by *Idaho Code*, Section 39-1444, are related organizations for which the State is not financially accountable although the State appoints a voting majority of the organizations' boards. The financial reports of these organizations are excluded from the State's financial statements.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements

The Statement of Net Assets and Statement of Activities report information on nonfiduciary activities of the primary government and its component units. Primary government activities distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Internal service funds are included with governmental activities in the government-wide statements and are included with the proprietary funds in the fund statements.

The *Statement of Net Assets* presents the State's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are displayed in the following three categories:

Invested in Capital Assets, Net of Related Debt, consists of capital assets net of accumulated depreciation and reduced by outstanding related debt.

Restricted Net Assets result when third parties, constitutional provisions, or enabling legislation impose constraints on net asset use. The State does not have a policy regarding the preferred first usage of unrestricted or restricted net assets. Expense allocation decisions are made on a program-by-program basis when both restricted and unrestricted net assets are available. Restricted net asset balances will fluctuate as related accounting transactions occur.

Unrestricted Net Assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets may have constraints or designations placed upon them by management, which can be unilaterally removed.

The *Statement of Activities* demonstrates the degree to which the direct expenses of governmental functions, business-type activities, and component units are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific governmental function, business-type activity, or component unit. Revenues are broken out by program and general designations. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, activity, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Program revenues display the extent to which programs are self-funded. The arithmetic difference between direct expenses and program revenue displays the net cost of the function to be financed from the State's general revenues. Taxes and other revenue sources that are not attributable to specific programs are shown as general revenues.

State agencies share the cost of some centralized services. These administrative overhead charges are reported as direct program expenses of each of the various functions. Certain indirect costs are paid by the general government function and are not allocated to the other governmental functions.

To better reflect the break-even emphasis of the internal service funds, the net income or loss from business conducted with primary government customers is eliminated. Eliminations are made to the operating expenses or revenues of the participating functions.

Fund Statements

Separate fund financial statements are presented for the governmental, proprietary, and fiduciary funds, even though fiduciary funds are excluded from the government-wide statements. The emphasis in the fund statements is on major funds. Major governmental and business-type funds are reported as separate columns in the fund statements. The remaining governmental and business-type funds are considered to be nonmajor funds and are consolidated in a nonmajor funds column. The nonmajor funds are displayed individually in combining statements.

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for services that include general government, public safety and correction, health and human services, education, economic development, and natural resources. The General Fund includes all financial resources of the general government except those required to be accounted for in another fund.

The *Health and Welfare* fund accounts for resources used for public assistance, medical care, foster care, and other relief for eligible citizens of Idaho.

The *Transportation* fund accounts for resources used for administration, construction, and maintenance of the state highway and aviation systems.

The *Public School* and *Pooled Endowment* funds manage and invest the revenues generated from the sale or lease of lands granted from the federal government under the *Idaho Admission Act*.

The State reports the following major proprietary funds:

The *College and University* fund accounts for resources used by the State's system of higher education.

The *Unemployment Compensation* fund accounts for resources used to provide unemployment benefits to eligible unemployed workers.

The *Loan* fund accounts for loans to Idaho municipalities to make improvements to wastewater and drinking water systems.

Additionally, the State reports the following fund types:

Governmental Fund Types

Special revenue funds account for specific revenue sources that are restricted to expenditures for specified purposes.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support certain state programs.

Proprietary Fund Types

Enterprise funds account for governmental operations that function in a manner similar to private business enterprises. The intent is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service funds account for a variety of independent operations that provide goods or services to other state agencies or governmental units on a cost-reimbursement basis. Internal service fund activities of the State include property, liability, and other types of insurance; data processing services; and other general services such as facilities rentals.

Operating and nonoperating revenues and expenses are presented separately on the operating statements. Operating transactions occur if they directly result from the provision of goods or services to customers, or are otherwise directly related to the principal and usual activity of the fund. All other revenues and expenses are reported as nonoperating.

Fiduciary Fund Types

Pension trust funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plans, and other employee benefits.

Investment trust funds account for external participants' investments with the State's Local

Government Investment Pool and Diversified Bond Fund.

Agency funds account for resources collected or held by the State, acting in a custodial capacity, for distribution to other governmental units or designated beneficiaries. These resources include deposits of securities by banks and insurance companies as well as employee payroll deductions.

The *private-purpose trust fund* accounts for resources legally held in trust by the IDeal Idaho College Savings Program; the principal and interest benefit individuals. Complete financial statements may be obtained by writing to IDeal College Savings Program, P.O. Box 55254, Boston, MA 02205-8675.

Reconciling Government-Wide Statements to the Fund Statements

The governmental fund statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the two differing measurement focuses and bases of accounting between the statements and the inclusion of internal service funds with governmental activities on the government-wide statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary (except agency) fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Agency funds report only assets and liabilities using the accrual basis of accounting; they have no measurement focus.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Significant revenue sources susceptible to accrual include sales tax, individual and corporate taxes, motor fuel taxes, and federal grants. Licenses, permits, fees, and other miscellaneous revenues, which are derived from an underlying transaction, are recognized when received since they are normally only measurable at that time. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded when paid.

Reimbursements are eliminated in the financial statements to reduce the grossing-up effect of internal transactions. Reimbursements are repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements include federal grant pass-throughs from one state agency to another and the allocation of central human resource costs to all agencies.

The State reports only enterprise funds as business-type activities. The business-type activities follow all current GASB pronouncements. They also follow all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

D. Assets and Liabilities

Cash with Treasurer

Cash balances of most funds are deposited with the State Treasurer's Office. Balances not required to meet immediate needs are pooled in an internal investment pool, which is reported as Cash with Treasurer. *Idaho Code*, Sections 67-1210 and 67-1210A, governs investment policies of the State Treasurer.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of bank accounts; petty cash; cash in transit; money markets; FDIC insured nonnegotiable certificates of deposit; and short-term, highly-liquid investments with a maturity of three months or less from the purchase date.

Investments

The State Treasurer's Office (STO) and other administrative bodies manage investments as determined by state law. The STO manages investments of state funds and funds of other qualified entities within the State in accordance with *Idaho Code*, Sections 67-1201 through 67-1222. See Note 2 for more information.

The State reports most investments at fair value based on published market prices and quotations from investment brokers. Investments held in lieu of surety deposits, which are not held for investment purposes, are carried at historical cost in the State's agency funds. Certain entities disclosed in Note 2 report money market investments and other highly liquid investments with a remaining maturity of one year or less at the time of purchase using amortized cost.

The Public Employee Retirement System of Idaho, the Judges' Retirement fund, and the endowment funds are permitted to make investments in accordance with the *Idaho Uniform Prudent Investor Act*, Sections 68-501 through 68-514, of the *Idaho Code*.

Securities Lending Collateral

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. Securities lending collateral is reported at fair market value. See Note 2 for more information.

Receivables, Net

Receivables in the General Fund consist primarily of income and sales taxes. Special revenue fund receivables consist primarily of health and transportation federal grants and gas taxes. Proprietary fund receivables consist mainly of unemployment assessments, student tuition and fees, and federal grants. Fiduciary fund receivables consist primarily of investments sold in the pension trust funds. The receivables are disaggregated on the financial statements.

Internal Balances

Interfund receivables and payables consist of unpaid balances for goods and services provided by one fund to another. Interfund goods and services provided are reported as revenues in seller funds and expenditures or expenses in purchaser funds. These balances are generally short-term receivables and payables. See Note 4 for interfund schedules and those receivables not expected to be collected within one year. Interfund receivables and payables balances and activity have been eliminated from the government-wide Statement of Net Assets, except for the residual amounts due between governmental and business-type activities, which are shown as Internal Balances.

Inventories and Prepaid Items

Inventory consists of materials and supplies that will be consumed within a year. Governmental and proprietary fund-type inventories of supplies and materials are valued at cost, which approximates market, generally using the first-in, first-out method. The consumption method of inventory accounting is used. Prepaid expenses represent amounts paid in the current period for services that will benefit future periods. Prepaids are accounted for using the consumption method.

Other Assets

Other assets include interest receivable and other miscellaneous items.

Capital Assets, Net

Capital assets include land, buildings and improvements, construction in progress, historical art and collections, improvements other than buildings, machinery and equipment, all infrastructure regardless of acquisition date, and other capital assets. Assets with a cost of $5,000 or more and a useful life of more than one year are capitalized. The costs of normal repairs and maintenance that do not add to the asset's utility or materially extend an asset's useful life are not capitalized. Interest expense related to capital asset construction is capitalized for business-type activities.

Capital assets are recorded at cost or estimated historical cost, if actual cost is not available. In cases where historical cost is not available, assets are valued using comparables indexed forward or backward with the consumer price index. Donated capital assets are recorded at estimated fair value at the date of donation. Endowment land originally granted to the State by the federal government is valued at one dollar per acre. For more information regarding endowment land, refer to donor-restricted investments in Note 2.

All capital assets, with the exception of roads, right-of-ways, land, construction in progress, historical art and collections, and certain intangible or amortized assets are depreciated. For all depreciable major asset classes, depreciation is calculated on a straight-line basis over their estimated useful lives, as follows:

Assets	Years
Buildings	30 - 50
Improvements Other Than Buildings	5 - 50
Machinery, Equipment, and Other	3 - 40
Bridges	75

Roads and right-of-ways are not depreciated but rather are accounted for under the modified approach. The modified approach recognizes that this class of infrastructure will be indefinitely maintained at a certain condition level and as such does not have a limited lifespan. Costs to maintain the roads at the set condition levels are expensed rather than capitalized, unless the road's service potential is increased or additions are made. The State's Transportation Department has the responsibility for determining and assessing the condition levels, maintaining the inventory of roads, and making annual estimates of costs to maintain the roads. Further information regarding infrastructure can be found in the Required Supplementary Information.

Historical art and collections are not capitalized unless those collections were already capitalized on June 30, 1999. Historical art and collections include historical artifacts, documents, rare books, paintings, portraits, State Capitol related artifacts, furnishings, films, statues, and monuments. Historical art and collections are on public display, preserved and protected, and are used in the furtherance of historical education or are involved in advancement of artistic or historical research. If sold, the proceeds are used to acquire other items for collection.

Payables

Payables in the General Fund consist primarily of sales taxes due to local governments. Payables in the special revenue funds relate primarily to public assistance—the largest being Medicaid, and fuel taxes to be distributed to local governments. Proprietary fund payables consist mostly of payroll liabilities, vendor obligations, and liquor sales distributions to local governments. The pension trust fund payable is comprised primarily of investments purchased by the Public Employee Retirement System of Idaho. Payables in agency funds relate to amounts held in a custodial capacity. All fund types have generic vendor payables.

Unearned/Deferred Revenue

Unearned revenue is recorded when cash is received prior to being earned. In the governmental fund statements, deferred revenue includes unearned revenue in addition to revenue that is earned but not available.

Amounts Held in Trust for Others

Amounts held in trust for others consist of cash or other assets held for an individual or entity until certain conditions of an agreement are met, at which time the asset is generally returned to the owner. Occasionally, the owner may default on the conditions and the asset held in trust becomes the property of the State and revenue is recorded at that time.

Obligations Under Securities Lending

Obligations under securities lending consist of the collateral that has been received from borrowers for lent securities. The State has an obligation to return the collateral when the borrower returns the securities to the State. See Note 2 for more information.

Other Accrued Liabilities

Other accrued liabilities primarily consist of interest payable, unclaimed property, and other accrued liabilities.

Long-Term Liabilities

Government-wide and proprietary financial statements report long-term obligations as liabilities, with the portion payable within twelve months designated separately from the portion payable in more than twelve months. Long-term liabilities include the following:

Capital Leases Payable consists of lease contracts that transfer substantially all of the benefits and risks of ownership of property to the State.

Compensated Absences Payable includes vacation and compensatory time earned by employees but not paid and retirees' unused sick leave to be used for the acquisition of health insurance.

Bonds and Notes Payable consists of notes and bonds issued for the construction or acquisition of facilities and for funding various projects. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the loan. See Note 12 for further explanation.

Policy Claim Liabilities includes amounts for probable claims that have been incurred and the amount of the loss has been reasonably estimated.

Claims and Judgments are payables on behalf of the State and its agencies for various legal proceedings and claims.

Other Long-Term Liabilities consists mainly of a net pension obligation.

E. Fund Equity

Fund equity represents the difference between fund assets and fund liabilities. The governmental fund equity is called fund balance, while the government-wide, proprietary, and fiduciary fund equity is called net assets. Reservations of fund balance and restricted net assets identify net assets that are not available for appropriation for expenditure or are legally segregated for a specific future use.

F. Newly Issued Accounting Pronouncements

In April 2004 the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This Statement establishes requirements for reporting postemployment benefits other than pensions and provides users with information to assess the funded status of the plan. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2007.

In June 2004 the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEBs). This Statement establishes standards of accounting and financial reporting for OPEB expense/expenditures and related OPEB liabilities. The State has consulted with an actuarial firm regarding this new standard. Management has not yet determined the amount of the liability, if any, as a result of the new standard. The requirements of this Statement are effective for the fiscal year ending June 30, 2008.

NOTE 2. DEPOSITS AND INVESTMENTS

A. Deposits

Cash and cash equivalents are deposited with various financial institutions and are carried at cost. Legal provisions regarding deposits are found throughout *Idaho Code,* Title 67. The State Treasurer's Office (STO) acts as the State's bank, receiving and disbursing all monies except for the following: the Idaho Life and Health Guaranty Association, the Idaho Housing and Finance Association, the Idaho Individual High Risk Reinsurance Pool, the Idaho Small Employer Health Reinsurance Program, the college and university foundations, the Idaho State Building Authority, some of the endowment fund accounts, the State Bar, the Potato Commission, the Dairy Products Commission, the Wheat Commission, some of the colleges and universities' accounts, and some of the Public Employee Retirement System of Idaho accounts. In accordance with *Idaho Code,* Section 67-1210, the STO invests cash not needed to meet immediate obligations in various types of investments. Interest received on the Idle Fund's investments is paid into the General Fund, unless Idaho statute requires allocation of interest to specific funds.

Custodial credit risk is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State's policy for managing custodial credit risk can be found in *Idaho Code,* Section 67-2739. The STO designates which financial institutions are qualified as state depositories. The amount of state funds above the total covered by federal insurance that is deposited with a qualified institution may not exceed the total of that depository's capital and surplus. Designated depositories must file an annual affidavit showing the amount of the financial institution's capital stock and surplus.

Custodial Credit Risk at June 30, 2006
(dollars in thousands)

	Governmental and Business-Type Activities	Fiduciary Funds	Discretely Presented Component Units
Bank Value of Deposits	$1,335,577	$38,225	$67,362
Uninsured and Uncollateralized Deposits	8,357	3,740	21,387
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution	17,570		
Uninsured Deposits Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent, but not in the State's Name			4,134

B. Investments

General Investment Policies

Idaho Code, Section 68-502, stipulates the standard to be followed by state investment personnel is the *Idaho Uniform Prudent Investor Act*. The primary focus of the Act is preservation of capital and avoidance of speculative transactions through exercise of reasonable care, skill, and caution. The goal is to provide a reasonable return while following specific objectives of various trusts. The Act may be expanded, restricted, eliminated, or altered by provisions of Idaho statute or a trust.

The STO invests idle moneys, other than the public endowment funds, in accordance with *Idaho Code*, Sections 67-1210, 67-1210A, and 67-2739. The STO Investment Division handles short-term investing and outsources long-term investing.

Some investments are made directly by an agency rather than by the STO. Only a few agencies are authorized to make such investments and then only for specific programs. Investments are valued in accordance with GASB Statement No. 31, as described in Note 1.

Types of Investments

Idaho Code, Section 67-1210, authorizes the Treasurer's pooled Idle Fund and agencies with investment authority to make direct investments in the following types of investments:

- U.S. government obligations, which pledge the full faith and credit of the U.S. government
- General obligation or revenue bonds of the State or any Idaho county, city, or taxing district
- Obligations issued under the Farm Credit Act of 1971, the Federal Home Loan Bank Board, the Federal National Mortgage Association, and the Federal Home Loan Bank
- Obligations of Idaho public corporations
- Repurchase agreements covered by any legal investment for the State
- Tax and revenue anticipation instruments of the State or Idaho taxing districts
- Time deposit and savings accounts in state depositories, state and federal loan associations, or state and federal credit unions within the boundaries of Idaho
- Revenue bonds of Idaho higher education institutions
- Money market funds whose portfolios consist of investments specified in this section must be denominated in U.S. dollars

Idaho Code, Section 67-1210A, authorizes the STO to enter into the following additional types of transactions:

- Prime banker's acceptances and prime commercial paper
- Sale and repurchase of call options on securities owned by the STO or the Local Government Investment Pool
- Securities lending agreements
- Corporate bonds, notes, and debentures of any U.S. company with at least an A rating by a nationally

recognized statistical rating organization such as Standard & Poor's or Moody's

The Endowment Fund Investment Board (EFIB) manages investment of Idaho's two permanent funds, the Public School Endowment fund and the Pooled Endowment fund. *Idaho Code*, Section 57-720, gives the EFIB the authority to formulate investment policies of the permanent endowment funds and earnings reserve funds. *Idaho Code*, Section 57-723, stipulates that the EFIB and its investment managers are governed by the *Idaho Uniform Prudent Investor Act* and the *Idaho Constitution*. In addition to the investment types mentioned previously, the EFIB has approved the following types of investments:

- Preferred stock
- International equities
- Collateralized mortgage obligations
- Fixed-income securities with a minimum Baa rating by Moody's or equivalent rating, Yankee bonds with a minimum A rating, equity-linked debt with a minimum rating of A, pass-through mortgage-backed securities with a minimum Aaa or equivalent rating
- Derivative instruments, specifically covered call options
- Forward currency contracts
- Forward and futures contracts to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed upon price

The Retirement Board of the Public Employee Retirement System of Idaho (PERSI) has established an investment policy in accordance with *Idaho Code*, Sections 59-1301 through 59-1399. In addition to the investments mentioned above for the STO and the EFIB, PERSI has approved the following types of investments:

- Treasury inflation protected securities
- Derivative instruments, specifically, futures, options, swaps, repurchase agreements, and forward currency contracts by a few selected managers

Custodial Credit Risk of Investments

Custodial credit risk for investments is the risk that in the event of the failure of a counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

At June 30, 2006, the Judges' Retirement fund had $10.3 million federal agency securities, $0.6 million foreign agency securities, $3.6 million corporate bonds, and $41.6 million equity securities held by the broker-dealer, not in the fund's name. The fund's investment policy does not contain legal or policy requirements that would limit exposure to custodial credit risk.

The PERSI investment policy mitigates custodial credit risk, to the extent possible, by requiring that investments be registered in the name of PERSI and be delivered to a third party custodian. Short-term investments are created through daily sweeps of excess cash. At June 30, 2006, PERSI had various short-term investments of $1.9 million held by various counterparties, not in PERSI's name.

The Bronco Athletic Association (BAA) does not have a formal policy that would limit exposure to custodial credit risk. At June 30, 2006, the BAA held $100,000 of certificates of deposit that were uninsured and uncollateralized.

The Boise State University Foundation does not have a formal policy that would limit its exposure to custodial credit risk. At June 30, 2006, the Foundation held $0.5 million of U.S. Treasury Bonds, $5.7 million of Corporate Bonds, $6.2 million of bond mutual funds, $52.9 million of equity mutual funds, $0.1 million of private equity funds, and $0.3 million of insurance annuities that were uninsured, uncollateralized, and held in the name of the broker.

Interest Rate Risk of Debt Securities

Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. All investment managers are governed by the *Uniform Prudent Investor Act* as detailed in *Idaho Code*, Sections 68-501 through 68-514. The State has not adopted a formal policy that addresses interest rate risk, except as follows:

- The PERSI manages interest rate risk using the effective duration methodology, which takes into account the options on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the PERSI portfolios are managed in accordance with operational guidelines, which include an expected range of interest rate risk in the portfolio. Per the

PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager. The reporting of effective duration found in the separate schedule following the primary government interest rate risk quantifies the interest rate risk of the PERSI fixed-income assets.

- The EFIB has adopted the policy that the fixed-income weighted average of the EFIB portfolio may not exceed that of the Lehman Aggregate Index by more than one-half year. The separate Endowment Funds Interest Rate Risk schedule quantifies the interest rate risk of EFIB fixed-income securities at June 30, 2006.

- The Idaho Housing and Finance Association has adopted bond indentures and bond and trust resolutions that provide investments maturities be based upon the cash requirements of the Association's accounts, as determined by authorized investment officers. The Association's investment maturities are presented as part of the Component Units Maturity of Debt Investments at June 30, 2006.

Primary Government and Fiduciary Funds Investments and Maturities at June 30, 2006
(Except Endowment Funds and PERSI)
(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	21-30 Years	26-30 Years	Total Fair Value
Debt Securities:								
Money Market Funds	$621,459							$621,459
Certificates of Deposit	99,074							99,074
Repurchase Agreements	868,158							868,158
Commercial Paper	202,068	$302	$521					202,891
U.S. Government Obligations	219,669	55,242	15,090					290,001
U.S. Gov't Agency Obligations	1,012,290	131,214	22,419	$30,181				1,196,104
Mortgage-Backed Securities*	94	84,432	166,289		$1,004			251,819
Asset-Backed Securities*		54,499	2,902					57,401
Commercial Mortgages		3,015	6,713					9,728
Corporate Obligations	223,493	372,974	26,283	6,982				629,732
Municipal and Public Entity Obligations	10,050	20	42					10,112
Bond Mutual Funds and Other Pooled Fixed-Income Securities	1,598	8,211	7,963	7,052	637	$842	$118	26,421
Foreign Agency Obligations		295	262					557
Idaho Small Business Loans		627	1,638	219	345			2,829
External Investment Pools	22,711	2,005						24,716
Total Debt Securities	**$3,280,664**	**$712,836**	**$250,122**	**$44,434**	**$1,986**	**$842**	**$118**	4,291,002
Other Investments:								
Mutual Funds								48,424
Preferred Stock								25,975
Domestic Equity Securities								37,082
Foreign Equity Securities								6,183
Investment Agreement								13,473
Reconciling Items:								
Public School Endowment and Pooled Endowment Investments Reported Separately Below								1,063,588
PERSI Investments (Part of Fiduciary Funds) Reported Separately Below								10,220,531
Less Idle Pool Cash Equivalents Included with Investments for Note Disclosure Purposes								(1,253,844)
Primary Government and Fiduciary Funds Investments Per Financial Statements								**$14,452,414**

Cash collateral received for securities lending transactions is reinvested for less than one year.

*Mortgage-backed and asset-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

PERSI Investments at June 30, 2006
(dollars in thousands)

Investment Type	Fair Value
Domestic Fixed Income	$2,194,522
Commingled Domestic Fixed Income	76,615
Short-Term Domestic Investments	421,807
Idaho Commercial Mortgages	276,766
Domestic Fixed-Income - U.S. Dollar Denominated International Securities	136,967
Short-Term International Investments	129,466
International Fixed-Income	52,053
Short-Term Investments	903
Domestic Equities	3,915,958
Domestic Equities - Preferred Stock	1,577
International Equities	2,191,333
Real Estate	178,238
Private Equity - Domestic	289,655
Private Equity - International	11,969
Mutual Funds	222,627
Commingled Equity Fund	120,075
Total Fair Value of PERSI Investments	**$10,220,531**

PERSI Effective Duration of Fixed Income Assets by Security Type at June 30, 2006
(dollars in thousands)

	Domestic Securities		International Securities		
Investment Type	Fair Value	Effective Duration in Years	Fair Value	Effective Duration in Years	Total Fair Value
Debt Securities:					
Asset-Backed Securities	$21,991	0.59			$21,991
Asset-Backed Securities	326	*			326
Mortgages	44,029	0.88			44,029
Commercial Paper	48,849	0.05	$8,478	0.21	57,327
Commercial Paper	174,226	*	39,643	*	213,869
Corporate Bonds	459,012	3.81	61,108	2.18	520,120
Corporate Bonds	583	*	3,718	*	4,301
Fixed-Income Derivatives	55	*			55
Government Agencies	136,547	3.48			136,547
Government Bonds	381,286	5.82	5,966	25.28	387,252
Government Mortgage-Backed Securities	410,235	3.73			410,235
Government Mortgage-Backed Securities	53,417	*			53,417
Pooled Investments	33,357	0.08			33,357
Pooled Investments	75,198	*			75,198
Preferred Stock	1,496	3.14			1,496
Preferred Stock	80	*			80
Private Placements	47,908	2.42			47,908
Private Placements	4,010	*			4,010
Repurchase Agreements	(4,214)	*	65,170	0.00	60,956
TIPS	800,261	7.03			800,261
Idaho Mortgages	276,766	*			276,766
Total PERSI Fixed Income Securities	**$2,965,418**		**$184,083**		**$3,149,501**

*Duration calculations for some securities are not readily available due to the nature of those securities. Examples include securities that are not publicly traded or that are thinly traded, securities with a short maturity, and those that have expired.

Endowment Funds Interest Rate Risk at June 30, 2006
(dollars in thousands)

Investment Type	Fair Value	Modified Duration In Years
Debt Securities:		
Northern Lehman Aggregate Index Fund	$231,739	4.79
Northern U.S. TIPS Index Fund	28,363	6.12
Total Endowment Fund Debt Securities	260,102	
Other Investments:		
Equity Investments	676,009	
Money Market Funds	7,163	
Securities Lending Collateral	120,314	
Total Other Endowment Fund Investments	803,486	
Total Endowment Fund Investments Reported on the Financial Statements	**$1,063,588**	

Component Units Maturity of Debt Investments at June 30, 2006
(dollars in thousands)

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	11-15 Years	16-20 Years	Total Fair Value
Debt Securities						
Money Market Funds	$166,936					$166,936
Certificates of Deposit	500					500
U.S. Government Obligations	4,613	$21,002	$2,200	$20,100		47,915
U.S. Government Agency Obligations	15,632	38,403	21,914	61,171		137,120
Corporate Obligations	19,114	21,003	6,778	10,319	$15	57,229
Municipal and Public University Obligations		257	915	405		1,577
Bond Mutual Funds	13	1,289	31,459	751	34	33,546
Total Debt Securities	**$206,808**	**$81,954**	**$63,266**	**$92,746**	**$49**	444,823
Other Investments						
Cash Equivalents included with Investments						1,700
Domestic Equities						117,840
Foreign Equities						498
Investment Agreements						281,986
Corporate Obligations Without Maturity Dates						7,349
Equity Mutual Funds						80,479
Real Estate and Perpetual Trusts						3,593
Insurance Annuity						333
Total Component Unit Investments Reported on Financial Statements						**$938,601**

Credit Risk of Debt Securities

The risk that an issuer of debt securities or another counterparty to an investment transaction will not fulfill an obligation is commonly expressed in terms of the credit quality rating issued by a national rating organization. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality ratings. Unless otherwise stated, the ratings presented use the Moody's scale. Although the STO does not have a formal policy to address credit risk of debt securities, all investment managers are governed by the *Uniform Prudent Investor Act* as detailed in *Idaho Code*, Sections 68-501 through 68-514. The following Boards have formally adopted policies that address credit quality ratings of debt securities:

- The Building Authority investments are restricted by terms of individual revenue bonds. All Building Authority holdings are in accordance with those restrictions.
- The State Board of Education policy allows colleges and universities to invest in debt securities with an Aa or better rating and commercial paper of prime or equivalent grade. Investments in any other form require prior Board of Education approval.
- In accordance with the *Idaho Code*, Section 1-2008, the EFIB formulates the investment policy for the Judges' Retirement fund. The Judges' Retirement fund policy allows fixed-income securities with a minimum Baa rating by Moody's (or equivalent rating by another national rating organization), Yankee bonds, commercial paper, equity-linked debt with a minimum A rating, pass-through mortgage-backed securities with a minimum Aaa rating or equivalent, and collateralized mortgage obligations.
- The EFIB investment policy states that bonds must be rated Bbb (or the equivalent) or better, commercial paper must be rated A-1 (or the equivalent) or better, and money market funds shall contain securities with an absolute minimum of investment grade by Standard & Poor's or Moody's.
- PERSI has no strict limitations for credit risk exposures. Each PERSI portfolio is managed in accordance with operational guidelines that are specific as to expected portfolio characteristics that usually, but not always, include credit quality and exposure levels. Per the PERSI policy, these characteristics are established and monitored within each portfolio, with variances reported by the manager.
- Idaho Housing and Finance Association policies permit investments for each bond issue in accordance with the various bond indentures and bond resolutions adopted by the Association. Program account investments are restricted to those empowered by the Act or by federal regulations. The Association has adopted resolutions as policy for authorized investments in the Affordable Housing Investment Trust and the Bond Rating Compliance and Loan Guaranty Trust. The Board has not adopted a formal policy related to the Association's business operations investments.
- The Idaho State University Foundation policy requires all bonds purchased to have an A rating or better.

Primary Government Rated Debt Investments at June 30, 2006
(Except Endowment Funds and PERSI)
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	A1-P1	Unrated
Money Market Funds*	$643,679	$294,102					$349,577
Certificates of Deposit	99,074						99,074
Repurchase Agreements	63,054	48,839	$2,842				11,373
Commercial Paper	202,891	521	302			$202,068	
U.S. Gov't Agency Obligations	1,196,104	865,097	255	$330,747			5
Mortgage-Backed Securities	251,819	250,194					1,625
Asset-Backed Securities	17,347	17,347					
Commercial Mortgages	9,728	9,728					
Corporate Obligations	200,364	89,687	54,312	55,373	$992		
Municipal and Public Entity Obligations	10,112	62					10,050
Bond Mutual Funds and Other Pooled Fixed-Income Securities	26,540		505				26,035
Foreign Agency Obligations	557	253	71	47			186
External Investment Pools	24,716						24,716
Total Before Securities Lending	2,745,985	1,575,830	58,287	386,167	992	202,068	522,641
Reinvestment of Securities Lending Collateral:							
Money Market Funds	169						169
Repurchase Agreements	805,105						805,105
Asset-Backed Securities	40,054	40,054					
Corporate Obligations	456,130	223,617	177,012	55,501			
Total	**$4,047,443**	**$1,839,501**	**$235,299**	**$441,668**	**$992**	**$202,068**	**$1,327,915**

*Includes $327.0 million of money market funds that are reported with cash and cash equivalents.

Endowment Funds
Credit Quality Ratings of Debt Investments at June 30, 2006
(dollars in thousands)

Investment Type	Fair Value	S & P Rating
Northern Lehman Aggregate Index Fund	$231,739	AA
Northern U.S. TIPS Index Fund	28,363	AAA
Northern Money Market Fund	7,163	A
Total	**$267,265**	

PERSI Rated Fixed-Income Securties at June 30, 2006
(dollars in thousands)

		Investment Type	
Credit Quality Rating (S & P Rating Level)	Fair Value	Domestic Securities	International Securities
Agency (A-1+)	$1,907	$1,907	
AAA	673,852	637,416	$36,436
AA	108,855	103,336	5,519
A	216,061	203,509	12,552
BBB	113,297	108,487	4,810
BB	16,207	16,207	
B	32,385	32,297	88
CCC	6,195	6,195	
Not Rated	378,507	253,828	124,679
Total	**$1,547,266**	**$1,363,182**	**$184,084**

Component Units Rated Debt Securties at June 30, 2006
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Baa	Ba	Bbb-Ccc	Unrated
Money Market Funds	$167,444			$97				$167,347
U.S. Government Agency Obligations	137,119	$132,036		95				4,988
Corporate Obligations	58,507	5,459	$17,036	23,573	$804	$1,002	$9,698	935
Municipal and Public University Obligations	1,577	203	41	1,091			40	202
Bond Mutual Funds	33,545	4,763	10,664	520	490	10	3,640	13,458
Total	**$398,192**	**$142,461**	**$27,741**	**$25,376**	**$1,294**	**$1,012**	**$13,378**	**$186,930**

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. GASB has adopted a principle that governments should provide note disclosure when 5 percent of the total government investments are concentrated in any one issuer. Investments in obligations explicitly guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. State statute places no limit on the amount that may be invested in any one issuer.

- The State, the Idaho Potato Commission, the Idle Pool, the colleges and universities, and the college savings plan have not adopted a formal policy to address concentration of credit risk. The Idaho State Building Authority places no limit the Association may invest in any one issuer.

- The Idaho Housing and Finance Association places no limit on the amount the Association may invest in one issuer.

- The Idaho Life and Health Insurance Guaranty Association' Investment Committee determines the appropriate diversification of the portfolio.

- The Idaho Individual High Risk Reinsurance Pool's policy provides that no more than 10 percent of the short-term fund balance may be invested in the securities of any one issuer. The policy exempts the following types of investments: obligations of the U.S. government or its agencies, repurchase agreements collateralized by obligations of the U.S. government or its agencies, federally insured certificates of deposit, mutual funds, and money market mutual funds.

Primary Government Concentration of Credit Risk at June 30, 2006

(dollars in thousands)

Portfolio	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Potato Commission:	Federal Home Loan Bank	$1,556	100.0
Idaho State Building Authority:	Citigroup Global Markets, Inc.	2,842	11.3
Idle Pool:	Federal Home Loan Bank	176,493	10.2
	Federal Home Loan Mortgage Corporation	202,084	11.7
	Federal National Mortgage Association	212,117	12.2
Idaho State University:	Citigroup Global Markets	11,373	100.0
University of Idaho:	Cohen & Steers REIT	8,100	12.6
	Nicholas Applegate	3,925	6.1
	Pimco	6,850	10.6
IDeal College Savings Plan:	TIAA-CREFF	13,473	14.8

Component Unit Concentration of Credit Risk at June 30, 2006

(dollars in thousands)

Component Unit	Issuer	Fair Value	Percent of Portfolio Investments
Idaho Housing and Finance Association:			
	Citigroup Financial Group	$198,698	33.4
	Federated Treasury Obligation Funds	128,513	21.6
	Federal Home Loan Bank	64,041	10.8
	Trinity Plus Funding	33,149	5.6
Idaho Life and Health Insurance Guaranty Association:			
	Federal Home Loan Mortgage Corporation	3,451	47.9
	Federal National Mortgage Association	2,500	34.7
Health Reinsurance:			
	Federal Home Loan Bank	6,856	50.0
	Federal National Mortgage Association	1,874	13.7
	Zions Bankcorp Commercial Paper	1,325	9.7
	FCAR Owner Trust Commercial Paper	1,000	7.3
	Schwab Money Market Funds	840	6.1
	Federal Home Loan Mortgage Corporation	690	5.0

Foreign Currency Denominated Investments

Investments denominated in foreign currencies face a potential risk of loss in fair value from changes in currency exchange rates. The following describes the policies related to foreign currency risk for those state entities that have investments denominated in a foreign currency:

- The EFIB investment policy statement permits investing up to 20 percent of the EFIB total investments in international equities. No foreign fixed-income securities are permitted except currency.
- The Judges' Retirement fund investment policy permits investing up to 20 percent of the fund's total investments in international equities. No foreign fixed-income securities are permitted except currency.
- The PERSI investment policy provides individual manager guidelines, which outline at a minimum, a range of currency exposure. Each portfolio is monitored for currency exposure. Managers are required to report variances.
- The Lewis-Clark State College Foundation investment policy permits investments in foreign equities. The policy limits the investments in international equities to no more than 15 percent of the foundation's total investment portfolio.
- The University of Idaho Foundation does not presently have a policy that addresses foreign currency risk.

Endowment Funds Foreign Currency Risk at June 30, 2006

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Common Stock	$5,978
Canadian Dollar	Common Stock	1,833
Euro	Common Stock	37,779
Hong Kong Dollar	Common Stock	2,499
Japanese Yen	Common Stock	34,502
Mexican Peso	Common Stock	407
Norwegian Krone	Common Stock	2,796
Singapore Dollar	Common Stock	1,292
South African Rand	Common Stock	725
South Korean Won	Common Stock	1,480
Swedish Krona	Common Stock	2,298
Swiss Franc	Common Stock	8,233
U.K. Pound	Common Stock	23,239
Total		**$123,061**

Judges' Retirement Fund Foreign Currency Risk at June 30, 2006

(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	$364
Canadian Dollar	Equities	125
Euro	Equities	2,307
Japanese Yen	Equities	1,989
South African Rand	Equities	93
U.K. Pound	Equities	1,305
Total		**$6,183**

PERSI Foreign Currency Risk at June 30, 2006
(stated at fair value of U.S. dollars in thousands)

	Investment Type			Fair Value
Currency	**Short-Term Investments**	**Equities**	**Fixed Income**	**of Currency in U.S. Dollars**
Australian Dollar	$294	$62,223	$2,448	$64,965
Botswana Pula		1,477		1,477
Brazil Real	(3,040)	45,688		42,648
British Pound Sterling	106,257	296,716	(106,604)	296,369
Canadian Dollar	18,942	25,378	(13,440)	30,880
Chilean Peso	316	4,949		5,265
Czech Koruna	9			9
Danish Krone	13	5,510		5,523
Egyptian Pound		8,467		8,467
Euro	(80)	601,801	339	602,060
Hong Kong Dollar	(1,074)	102,989		101,915
Hungarian Forint	(352)	11,945	143	11,736
Indonesian Rupian		39,494		39,494
Israeli Shekel	436	14,240		14,676
Japanese Yen	3,504	355,152	2,298	360,954
Malaysian Ringgit	(389)	9,642		9,253
Mexican New Peso	119	23,789	6,493	30,401
New Taiwan Dollar	25	73,233		73,258
New Turkish Lira	(144)	21,782		21,638
New Zealand Dollar	18	3,091		3,109
Norwegian Krone	3	11,014		11,017
Philippines Peso	(218)	7,576		7,358
Polish Zloty			3,192	3,192
South African Comm Rand	(3,602)	77,108		73,506
Singapore Dollar	82	17,263	5,879	23,224
South Korean Won	(3,250)	146,668		143,418
Sri Lanka Rupee		118		118
Swedish Krona	82	23,660		23,742
Swiss Franc	498	87,677		88,175
Thailand Baht	(139)	33,641		33,502
Zimbabwe Dollar	2	677		679
Total	**$118,312**	**$2,112,968**	**($99,252)**	**$2,132,028**

College and University Foundation Foreign Currency Risk at June 30, 2006
(dollars in thousands)

Currency	Investment Type	Fair Value in U.S. Dollars
Australian Dollar	Equities	$1,315
Brazlian Real	Equities	10
Canandian Dollar	Equities	181
ChineseYuan	Equities	9
Danish Krone	Equities	417
Euro	Equities	4,141
Hong Kong Dollar	Equities	1,666
Indian Rupee	Equities	11
Israeli Shekel	Equities	25
Italian Lire	Equities	15
Japanese Yen	Equities	3,077
Malaysian Ringgit	Equities	183
Mexican Peso	Equities	30
New Zealand Dollar	Equities	103
Norwegian Krone	Equities	52
Russian Ruble	Equities	5
Sinagapore Dollar	Equities	208
South Korean Won	Equities	17
Swedish Krone	Equities	233
Swiss Franc	Equities	578
U.K. Pound	Equities	6,290
Total		**$18,566**

Debt Investments with Terms That May Cause the Fair Value to Be Highly Sensitive To Interest Rate Changes

Mortgage-Backed Securities have a return based on the cash flows from interest and principal payments on the underlying mortgages. As a result, they are sensitive to prepayments, which are likely to occur in declining interest rate environments. To the extent possible, this prepayment risk is reflected in the interest rate risk of the portfolios by using the weighted average method to calculate interest rate risk for long-term investments and the modified duration method used by EFIB and PERSI.

Treasury Inflation Protected Securities (TIPS) are fixed-income securities issued by the U.S. Treasury that pay a fixed coupon rate plus an adjustment for subsequent inflation. At June 30, 2006, PERSI had investments in TIPS with a fair value of $815.3 million.

At June 30, 2006, the STO Idle Pool portfolio included the following debt investments with terms that may cause their fair values to be highly sensitive to interest rate changes:

- One corporate obligation valued at $5.0 million with a floating rate coupon that resets every month to the one-month LIBOR (the rate of interest at which banks borrow funds, in marketable size, from other banks in the London interbank market) minus basis points.
- U.S. agency obligation valued at $10.3 million with a floating rate coupon that resets every quarter to the two-year constant maturity index minus basis points
- Corporate obligations valued at $10.0 million that each have a floating rate coupon that resets every quarter to the 3-month LIBOR plus basis points
- One corporate step rate note valued at $5.0 million with semi-annual increases of 20 basis points that is callable semi-annually
- One federal agency obligation step rate note valued at $10.0 million with semi-annual increases of 50 basis points that is callable semi-annually
- U.S. agency obligations valued at $50.0 million with call options

At June 30, 2006, the Local Government Investment Pool and Diversified Bond Fund had debt investments with terms that may cause the fair value to be sensitive to interest rate changes. See Note 3, External Investment Pools, for details.

Repurchase Agreements

Repurchase agreements are purchases of securities with simultaneous agreements to resell those same securities in the future at the same price plus a contract rate of interest. These investments are made throughout the year for short periods and fixed terms. At June 30, 2006, PERSI had credit exposure of $127.6 million that is included with short-term investments.

Securities Lending Agreements

Security lending agreements are transfers of securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. *Idaho Code*, Section 67-1210A, authorizes the STO to engage in securities lending agreements. The STO securities custodian manages the securities lending program. During the year, the custodian lent securities of the types shown in the table below for cash collateral. The investments are collateralized at 102 percent of the fair value of securities lent. The securities lending agreement requires daily monitoring of the fair value of securities lent and collateral received with additional collateral obtained as necessary to meet margin requirements. There are no restrictions on the amount of loans that can be made. Either the State or the borrower can cancel all securities lent upon demand. The cash collateral received is invested by the custodian and held in a separate account in the name of the STO. Cash is reinvested with terms approximately the same as the actual securities lent. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end, the Idle Pool had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed.

Primary Government
Balances of Securities Lending Transactions at June 30, 2006
(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
U.S. Treasury Obligations	$920,693	$946,528
U.S. Government Agency Obligations	30,699	31,965
Mortgage Backed Securities	215,815	219,983
Corporate Debt Instruments	99,315	102,549
Total	**$1,266,522**	**$1,301,025**

The Idle Pool and internal participants' portions of the LGIP and DBF reinvestment of securities lending balances are reported in the General Fund. The reinvestment of securities lending balances attributable to LGIP and DBF external participants are reported in the investment trust funds. These amounts do not include EFIB securities lending balances.

The EFIB engages in securities lending agreements. The EFIB custodian, Northern Trust Company, lends U.S. government securities, U.S. agency obligations, and equities for collateral in the form of cash or other collateral with at least 102 percent of the lent securities' fair value. The securities loans can be terminated on demand by either party. The EFIB is indemnified should borrowers fail to return the securities and for fraudulent or negligent acts performed by Northern Trust Company. As such, credit risk exposure is limited under these transactions. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end had a weighted average maturity of 72 days. The maturities of loans are affected by the securities loans made by other entities that use the agent's pool. EFIB cannot pledge or sell collateral securities without borrower default.

Derivatives

Derivatives are financial obligations whose value is derived from underlying debt or equity securities, commodities, or currencies. Derivatives are designed, among other things, to help investors protect themselves against the risk of price changes.

Boise State University invests in interest-only U.S. Treasury strips to maximize yields. These investments are based on cash flows from interest payments on underlying U.S. Treasury Securities. The underlying securities are guaranteed by the U.S. government and do not present the same level of risk as do other forms of derivatives.

The Idaho State Building Authority established a forward interest rate swap contract with Lehman Brothers Financial Products, Inc., on the 1998 Prison Project (1998 Series A Bonds). This forward interest rate contract can be terminated by the Authority at any time from origination on September 19, 2003, to the effective date of June 3, 2008. In addition, the contract can also be terminated after the effective date of June 3, 2008, to the expiration date of September 1, 2025. The Authority executed this forward interest rate contract to secure a 4.3 percent fixed interest rate for use in a specified proposed refunding provided that the savings ratio achieved is not less than 3 percent, regardless of whether or not the contract is terminated at or prior to its implementation date, no later than September 1, 2008. The Authority intends to terminate the forward interest rate contract any time before the termination date if the termination payment to be received by the Authority equals or exceeds two times the present value savings for the bonds for which such contract was executed. If the forward interest rate contract is not terminated earlier, the Authority's intention is to terminate such contract by the implementation date in order to preserve the present value savings and to avoid unnecessary basis risk to the Authority. The contract is in a liability position of $1.5 million at June 30, 2006. The position is determined by the difference between a fixed 4.3 percent and 67 percent of the LIBOR rate at the first of the month (3.8 percent at June 30, 2006). The swap agreement is characterized as a derivative and is carried on the Statement of Net Assets as Other Liabilities at fair value with changes in that value recognized in earnings of the current period. The impact on Other Liabilities as of June 30, 2006, was an aggregate amount of $1.5 million.

The EFIB periodically invests in forward and futures contracts representing agreements to buy or sell a specified amount of an underlying security at a given delivery or maturity date for an agreed-upon price. The EFIB use of these securities is limited to small positions in the EFIB international and domestic equity portfolios established primarily for hedging or risk reduction. At June 30, 2006, the domestic equity portfolio held 153 ten-year treasury contracts with a fair value of $16.0 million and one Standard & Poor's 500 contract with a fair value of $0.3 million. The mark-to-market receivable as of that date was $72,628, which was received on July 1, 2006.

The EFIB held forward currency contracts representing agreements to buy or sell euro, British pounds, Norwegian krone, Swedish krona, U.S. dollar, Swiss francs, Hong Kong dollars, and Japanese yen upon established future dates for agreed-upon prices. These forward currency contracts allow the EFIB to lock in future foreign exchange rates, thus reducing the risk stemming from currency fluctuations. At June 30, 2006, the fair value of the obligations under the purchase side of these forward contracts amounted to $16.4 million and the fair value of the obligations under the sale side of the forward contracts amounted to $16.4 million.

PERSI permits a few selected managers to use derivatives. In every case, the type of derivatives used and limits on their use are defined in manager contracts and are monitored on an ongoing basis. At June 30, 2006, PERSI reported the following derivative and hedging activity:

- Futures contracts with a fair value of $19,345 that are included in Fixed Income Investments. Cash equivalents and short-term investments in amounts necessary to settle the futures contracts were held in the portfolio so that no leverage was employed. PERSI had the following futures contract exposure (negative values represent short future positions):

  (a) Cash and cash equivalents (Euro) of $23.0 million
  (b) U.S. Treasury bond futures of ($4.2) million
  (c) U.S. Treasury note future of ($17.5) million

- Option contracts give PERSI the right, but not the obligation, to purchase or sell a financial instrument at a specified price within a specified time. Options strategies used by PERSI are designed to provide exposures to positive market moves and limit exposures to interest rate and currency fluctuations. At June 30, 2006, PERSI had option contracts payable with a fair value of $59,953 that is included in the liabilities as investments purchased. At June 30, 2006, PERSI had the following option contracts exposure:

  (a) Cash and cash equivalents, purchased call options of $136,013
  (b) Cash and cash equivalents, written call options of $787
  (c) Cash and cash equivalents, written put options of $180
  (d) Fixed-income purchased call options of $3,563

(e) Fixed-income written call options of $27,906
(f) Fixed-income written put options of $50,750

- Swap agreements–PERSI held swap agreements with a fair value of $105,228 that have been included in Fixed Income Investments.

- Forward foreign currency exchange contracts–PERSI has agreed to purchase or sell currency at various dates in the future at a specific price. Some of PERSI's international and real estate investment managers use forward contracts to hedge the exposure of investments to fluctuations in foreign currency. PERSI has established controls to monitor the creditworthiness of the counterparties. As of June 30, 2006, PERSI had sold forward currency contracts with a fair value of $904.2 million and had bought forward currency contracts with a fair value of $900.2 million. Purchases of forward currency contracts are liabilities reported as investments purchased, and sales of forward currency contracts are receivables reported as investments sold.

The Idaho Housing and Finance Association established interest swap contracts with Lehman Brothers Financial Products, Inc., on several single-family mortgage bond issues. The Association also issued variable rate debt in connection with the same bond issues. The swap agreements, when combined with the associated variable rate debt, create a synthetic fixed-rate debt obligation. The swap agreements are carried on the Statement of Net Assets in Other Accrued Liabilities at fair value, with changes in the value recognized in earnings of the current period. The impact on Other Accrued Liabilities as of June 30, 2006, was an aggregate amount of $12.6 million.

Donor-Restricted Assets

Both the Public School Endowment and the Pooled Endowment funds have a nonexpendable permanent corpus and an earnings reserve account, which is used to receive earnings and to pay beneficiaries and expenses. The EFIB invests the revenues generated from the management and/or sale of endowment lands in accordance with *Idaho Code*, Title 57, Chapter 7, which also governs the spending of net appreciation from these investments. At June 30, 2006, net appreciation of restricted investments was $44.7 million and $24.8 million for Public School Endowment fund and Pooled Endowment fund, respectively. Net appreciation of investments is reported as part of restricted net assets.

Idaho Public Television (IPTV) Foundation holds donor restricted assets in the amount of $2.1 million at June 30, 2006, which is reported as part of Permanent Trusts in the net assets. The IPTV Foundation Board advises the amount of net appreciation that IPTV may spend. IPTV determines the purpose of the expenditures. At June 30, 2006, there was no net appreciation available for expenditure.

The Department of Fish and Game holds cash and cash equivalents, which are reported as part of restricted net assets valued at $3.0 million for the purposes of managing wildlife habitat and for purchasing special enforcement equipment. Funds are held in the name of the Department of Fish and Game for the Craig Mountain Trust and the Elm/Pogue Memorial. Expenditures are budgeted based on expected revenue. No net appreciation was available for expenditure at June 30, 2006.

Endowments for the Bronco Athletic Association, Boise State University Foundation, Idaho State University Foundation, and the University of Idaho Foundation are managed in accordance with *Idaho Code*, Sections 33-5001 through 33-5008 and rules adopted by their boards as specified below.

The Bronco Athletic Association receives certain gift assets that are to be held in perpetuity for the benefit of Boise State University. At June 30, 2006, the amount permanently restricted by donors was $8.3 million. This amount is included as part of restricted net assets. During fiscal year 2006, the Foundation received $400,411 in new contributions. The net appreciation available for expenditure at June 30, 2006, was $617,966. The Association has set a "total return" policy that specifies 4.5 percent of the 3-year rolling average of the ending market value of each individual account be made available for expenditure each year. This amount is reduced accordingly if the account has insufficient accumulated earnings to cover the payout.

The Boise State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. At June 30, 2006, the amount permanently restricted by donors was $39.6 million. This amount is included as part of restricted net assets. The Foundation received new contributions of $3.9 million during fiscal year 2006. The net appreciation available for expenditure at June 30, 2006, was $2.7 million. The Foundation has set a "total return" policy that specifies 5 percent of the 3-year rolling average of the ending market value of each individual account be made available for expenditure each year. This amount

is reduced accordingly if the account has insufficient accumulated earnings to cover the payout.

The Idaho State University Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. At June 30, 2006, the amount permanently restricted by donors was $28.3 million. This amount is included as part of restricted net assets. The Foundation received new contributions of $3.0 million during fiscal year 2006. The net appreciation available for expenditure at June 30, 2006, was $1.2 million. The Foundation has implemented a policy that a stated fixed rate (5 percent for 2006) was treated as earnings, to be used for donor specified expenditures in the current year. The difference between the stated rate and actual earnings is an adjustment to the principal balance. Terms specified in donor agreements, if they differ from this practice, are honored.

The University of Idaho Foundation receives certain gift assets that are to be held in perpetuity for the benefit of the University. At June 30, 2006, the amount permanently restricted by donors was $93.1 million. This amount is included as part of restricted net assets. During fiscal year 2006, the Foundation received $3.0 million in new contributions. The net appreciation available for expenditure at June 30, 2006, was $4.5 million. The Foundation has the following two-tier spending policy dependent upon the endowment agreement that exists for each endowment.

1. Endowments with agreements that require reinvestment of all realized capital gains as principal can distribute only realized interest and dividends, and all realized gains are reinvested.

2. For endowments without restrictive reinvestment language, the Board of Directors establishes an annual spending rate. If the total realized dividends, interest, and short-term capital gains are less than the total amount required to make a distribution based on the established spending rate, realized long-term capital gains will be used to make up the shortfall.

NOTE 3. EXTERNAL INVESTMENT POOLS

A. Overview of the External Investment Pools

Idaho Code, Sections 67-2327 and 67-2328, authorize the State Treasurer's Office (STO) to sponsor external investment pools, the Local Government Investment Pool (LGIP) and the Diversified Bond Fund (DBF). In order to earn a higher yield, Idaho governmental entities may voluntarily deposit monies not immediately needed to meet operating obligations in these pools. The LGIP is a short-term investment pool. Participants have overnight availability to their funds, and the weighted average maturity of investments at June 30, 2006, was 135 days. The LGIP distributes earnings monthly to the participants based on their average daily balance as a percentage of the total pool. The STO created the DBF for those state and public agencies able to exchange current liquidity for potentially greater returns over the long run (3.5 years or longer). Withdrawals of 10 percent or less of the total pool generally require five working days' notification. Withdrawals of more than 10 percent of the total fund require 25 working days' notification.

The STO must operate and invest the funds of both pools for the benefit of the participants. The STO makes investments in accordance with *Idaho Code*, Sections 67-1210 and 67-1210A. The pools are not registered with the Securities and Exchange Commission or any other regulatory body and are not rated. The STO does not provide any legally binding guarantees to support the value of shares to the participants. Each month the STO transfers funds to cover administrative costs associated with the specific pool to the STO operating fund.

The LGIP and DBF are reported as fiduciary-type investment trust funds. The pools have not issued separate reports as external investment pools. The assets and liabilities in these notes will not agree to the amounts shown on the fiduciary fund financial statements because GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that only the external portion of investment pool assets be reported in the investment trust funds. The internal portion of pool assets is reported in the appropriate individual fund or component unit.

Investments were valued through a quoted market price at June 30, 2006. The LGIP provides participants with a net asset valuation factor that enables them to convert their monthly statement balance to fair value. The DBF reports participants' balances at fair value on their monthly statements. The State uses the aggregate method to determine the increase/decrease in fair value of each pool.

The LGIP and DBF engage in securities lending transactions. A securities lending agent manages the securities lending program. During the year, the agent lent securities for cash collateral. The cash collateral can be pledged without borrower default. The investments are collateralized at 102 percent of the market and restated to fair value on a daily basis. There are no restrictions on the amount of loans that can be made. Either the State or the borrower can cancel all securities lending agreements upon demand. The cash collateral received is invested by the agent and held in a separate account in the name of the STO. Cash is only reinvested in instruments with terms similar to the actual securities lent. The STO is indemnified for loss due to default on the part of the borrowers and failure to maintain the daily mark-to-market on the loans. At year-end the STO had no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. At year-end there was no custodial credit risk because the securities were held by the State's agent and not by the counterparty.

The pools disclose certain risks that may be associated with their deposits and investments. Disclosures are made under each individual pool for the following required risk disclosures:

Credit risk associated with investments is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation. Obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The pools do not have a formally adopted policy to address credit risk associated with investments.

Concentration of credit risk results when investments are concentrated in one issuer and represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. GASB has adopted a principle that when governments invest discretely on behalf of their various funds, such as the LGIP or DBF, they should disclose the amount and percentage when 5 percent of the total fund investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Pools do not have a formally adopted policy to address the amount that may be invested with any one issuer.

Interest rate risk occurs when investments are fixed for longer periods. Obligations explicitly guaranteed by the U.S. government are not considered to have interest rate risk. The Pools do not have a formally adopted policy to address interest rate risk.

Debt investments with terms that may cause the fair value to be highly sensitive to interest rate changes are likely to experience greater variability in their fair values due to the embedded terms. The Pools do not have a formally adopted policy to address terms that may cause the fair value of investments to be highly sensitive to interest rate risks.

B. Local Government Investment Pool

Local Government Investment Pool
Condensed Statement of Net Assets
June 30, 2006
(amounts in thousands)

Assets	
Investments, at Fair Value	$987,581
Interest Receivable to the Pool	7,624
Reinvestment of Securities Lending Collateral	546,784
Total Assets	**1,541,989**
Liabilities	
Distributions Payable	3,686
Obligations Under Securities Lending	546,784
Total Liabilities	**550,470**
Net Assets Held in Trust for Pool Participants	**$991,519**
Net Assets Consist of:	
Net Assets Held in Trust for External Participants ($1.00 par)	$968,489
Net Assets Held in Trust for Internal Participants ($1.00 par)	23,030
Net Assets Held in Trust for Pool Participants	**$991,519**
Total Participant Units Outstanding ($1.00 par)	992,250
Participant Net Asset Value, Offering Price and Redemption Price Per Share ($991,519 divided by 992,250 units)	**$1.00**

Local Government Investment Pool
Condensed Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

Investment Income		
Interest Income		$37,295
Securities Lending Income		739
Net Increase (Decrease) in Fair Value of Investments		(37,431)
Total Investment Income		603
Expense		
Administrative Fees	($241)	
Securities Lending Fees	(204)	
Total Investment Expense		(445)
Net Investment Income		158
Distributions to Participants		
Distributions Paid and Payable		(37,295)
Share Transactions at Net Asset Value of $1.00 per Share		
Pooled Participant Deposits*	2,316,216	
Pooled Participant Withdrawals*	(2,405,796)	
Net Increase (Decrease) in Net Assets and Shares Resulting From Share Transactions*		(89,580)
Total Increase (Decrease) in Net Assets		(126,717)
Net Assets Held in Trust for Pool Participants		
Beginning of Period		1,118,236
End of Period		**$991,519**

*Eliminations have not been made to compensate for the effect of intra-pool transactions through the money market account for deposits, withdrawals, interest received, purchases, sales, and reinvestments.

Local Government Investment Pool
Summary of Fair Value and Interest Rate Risk at June 30, 2006
(dollars in thousands)

			Investment Maturities In Years	
Investment Type	**Fair Value**	**Interest Rates**	**Less than 1**	**1-5**
Commercial Paper	$40,125	5.402%-5.503%	$40,125	
Repurchase Agreements	50,000	2.420%	50,000	
Corporate Debt Instruments	58,658	1.450%-4.300%	10,000	$48,658
U.S. Treasury Obligations	29,889	2.500%-2.750%	29,889	
U.S. Government Agency Obligations*	496,068	2.000%-6.600%	451,837	44,231
Money Market Mutual Fund	312,841	5.086%-5.270%	312,841	
Total Securities	987,581		894,692	92,889
Accrued Interest	7,624		6,915	709
Reinvestment of Securities Lending Collateral:				
Bank Deposits	168	5.250%	168	
Repurchase Agreements	324,491	5.355%-5.399%	324,491	
Corporate Debt Obligations	202,098	5.349%-5.463%	131,092	71,006
Asset-Backed Securities*	20,027	5.210%-5.587%		20,027
Total Investments	**$1,541,989**		**$1,357,358**	**$184,631**

*Mortgage-backed and asset-backed securities are reported using weighted-average maturity to more accurately reflect the projected term of the security, considering interest rates and repayment terms.

Local Government Investment Pool
Change in Fair Value For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

Fair Value of Investments at June 30, 2006	$995,205
Add: Proceeds of Investments Sold in FY2006*	14,620,316
Subtract: Cost of Investments Purchased in FY2006*	(14,534,716)
Subtract: Fair Value at June 30, 2005	(1,118,236)
Change in Fair Value of Investments During FY2006	**($37,431)**

*Eliminations have not been made to compensate for the effect of intra-pool transactions through the money market account for deposits, withdrawals, interest received, purchases, sales, and reinvestments.

Local Government Investment Pool
Concentration of Credit Risk at June 30, 2006
(dollars in thousands)

Issuer	Fair Value	Percent of Total LGIP Investments
American Beacon Money Market Mutual Fund	$287,819	18.66
Federal Home Loan Bank	169,817	11.01
Federal Home Loan Mortgage Corporation	154,652	10.03
Federal National Mortgage Association	140,649	9.12
Lehman Brothers	102,318	6.64

Local Government Investment Pool
Credit Quality Ratings of Debt Securities at June 30, 2006
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	A-1	Unrated
Commercial Paper	$40,125				$40,125	
Corporate Debt Instruments	58,658	$29,814	$5,000	$23,844		
U.S. Government Agency Obligations	496,068	496,068				
Money Market Mutual Funds	312,841	287,819				$25,022
Repurchase Agreements - Underlying:						
U.S. Government Agency Obligations	50,000	50,000				
Reinvestment of Securities Lending Collateral:						
Time Deposit	168					168
Corporate Debt Instruments	202,098	106,030	61,067	35,001		
Mortgage-Backed Securities	20,027	20,027				
Repurchase Agreements	324,491					324,491
Total Rated Investments	**$1,504,476**	**$989,758**	**$66,067**	**$58,845**	**$40,125**	**$349,681**

Moody's or equivalent credit quality ratings have been used, except for commercial paper, which was rated A-1by Standard and Poor's.

Local Government Investment Pool
Balances of Securities Lending Transactions at June 30, 2006
(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	$4,898	$5,096
U.S. Treasury Obligations	29,876	30,713
U.S. Government Agency Obligations	495,989	510,772
Totals	**$530,763**	**$546,581**

At June 30, 2006, the LGIP portfolio included the following debt investments with terms that may cause their fair values to be highly sensitive to interest rate changes:

- Corporate obligation valued at $5.0 million with a floating rate coupon based on the three-month LIBOR (the rate of interest at which banks borrow funds, in marketable size, from other banks in the London interbank market) plus basis points
- Corporate obligation valued at $5.0 million with a floating rate coupon based on the monthly LIBOR minus basis points
- Two corporate obligations with an aggregate value of $19.9 million with a floating rate coupon that resets every quarter to the three-month U.S. Treasury Bill rate plus basis points - one is capped at 4.5 percent and the other at 4.8 percent
- Corporate obligation valued at $23.8 million with a floating rate coupon that resets monthly to a calculation based on the current and prior 12 month's Consumer Price Index plus 120 basis points and the floor is zero percent
- Corporate obligation valued at $5.0 million with a call option and semi-annual coupon increases of 20 basis points
- U.S. Agency obligations valued at $126.5 million with call options
- Federal Home Loan Bank obligation valued at $19.7 million with call option and annual coupon increases
- Money market mutual fund valued at $287.8 million that invests primarily in money market and variable rate, longer-term obligations or repurchase agreements

C. Diversified Bond Fund

Diversified Bond Fund
Condensed Statement of Net Assets
June 30, 2006
(amounts in thousands)

Assets	
Investments, at Fair Value	$345,254
Interest Receivable to the Pool	2,445
Reinvestment of Securities Lending Collateral	274,440
Total Assets	**622,139**
Liabilities	
Distributions Payable	1,353
Obligations Under Securities Lending	274,440
Total Liabilities	**275,793**
Net Assets Held in Trust for Pool Participants	**$346,346**
Net Assets Consist of:	
Net Assets Held in Trust for External Participants ($1.00 par)	$100,763
Net Assets Held in Trust for Internal Participants ($1.00 par)	245,583
Net Assets Held in Trust for Pool Participants	**$346,346**
Total Participant Units Outstanding ($1.00 par)	359,058
Participant Net Asset Value, Offering Price and Redemption Price Per Share ($346,346 divided by 359,058 units)	**$0.96**

Diversified Bond Fund
Condensed Statement of Operations and Changes in Net Assets
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

Investment Income		
Interest Income		$15,653
Securities Lending Income		300
Net Increase (Decrease) in Fair Value of Investments		(17,658)
Total Investment Income		(1,705)
Expense		
Administrative Fees		(893)
Total Investment Expense		(893)
Net Investment Income		(2,598)
Distributions to Participants		
Distributions Paid and Payable		(15,978)
Share Transactions at Net Asset Value of $1.00 per Share		
Pooled Participant Deposits*	$104,514	
Pooled Participant Withdrawals*	(27,450)	
Net Increase (Decrease) in Net Assets and Shares Resulting From Share Transactions*		77,064
Total Increase (Decrease) in Net Assets		58,488
Net Assets Held in Trust for Pool Participants		
Beginning of Period		287,858
End of Period		**$346,346**

*Eliminations have not been made to compensate for the effect of intra-pool transactions through the money market account for deposits, withdrawals, interest received, purchases, sales, and reinvestments.

Diversified Bond Fund
Summary of Fair Value at June 30, 2006
(dollars in thousands)

			Investment Maturities In Years			
Investment Type	**Fair Value**	**Interest Rates**	**Less than 1**	**1-5**	**6-10**	**11-15**
Corporate Debt Instruments	$48,658	4.375%-6.375%		$34,571	$9,437	$4,650
U.S. Treasury Obligations	50,041	2.250%-6.500%	$2,945	38,103	8,993	
Asset-Backed Student Loans*	7,683	3.390%		7,683		
U.S. Government Agency	55,634	2.830%-5.830%	7,902	35,355	12,377	
Mortgage-Backed Securities*	168,530	3.500%-7.000%	95	63,757	104,678	
Commercial Mortgage-Backed Securities*	9,812	5.396%-6.590%		3,041	6,771	
Money Market Mutual Fund	4,896	4.990%	4,896			
Total Debt Securities	345,254		15,838	182,510	142,256	4,650
Accrued Interest	2,445		123	1,487	802	33
Reinvestment of Securities Lending Collateral:						
Corporate Debt Instruments	92,380	5.120%-5.349%	24,185	68,195		
Asset-Backed Securities*	7,283	5.349%-5.463%		7,283		
Repurchase Agreements	174,777	5.355%-5.400%	174,777			
Total Investments	**$622,139**		**$214,923**	**$259,475**	**$143,058**	**$4,683**

*Asset-backed and mortgage-backed securities are reported using weighted-average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

Diversified Bond Fund
Change in Fair Value For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

Fair Value of Investments at June 30, 2006	$347,699
Add: Proceeds of Investments Sold in FY2006*	263,251
Subtract: Cost of Investments Purchased in FY2006*	(339,745)
Subtract: Fair Value at June 30, 2005	(288,863)
Change in Fair Value of Investments During FY2006	**($17,658)**

*Eliminations have not been made to compensate for the effect of intra-pool transactions through the money market account for deposits, withdrawals, interest received, purchases, sales, and reinvestments.

Diversified Bond Fund
Concentration of Credit Risk at June 30, 2006
(dollars in thousands)

Issuer	Fair Value	Percent of Total DBF Investments
Federal Home Loan Mortgage Corporation	$79,229	12.74
Federal National Mortgage Association	106,344	17.09
Goldman Corporation	31,804	5.11

Diversified Bond Fund
Credit Quality Ratings of Debt Securities at June 30, 2006
(dollars in thousands)

Investment Type	Fair Value	Aaa	Aa	A	Unrated
Corporate Debt Instruments	$48,658	$13,273	$24,121	$11,264	
Asset-Backed Student Loans	7,683	7,683			
U.S. Government Agency	55,634	55,634			
Mortgage-Backed Securities	168,530	168,530			
Commercial Mortgage-Backed Securities	9,812	9,812			
Money Market Mutual Fund	4,896				$4,896
Reinvestment of Securities Lending Collateral:					
Corporate Debt Instruments	92,380	42,761	42,164	7,455	
Asset-Backed Securities	7,283	7,283			
Repurchase Agreements	174,777				174,777
Total Rated Investments	**$569,653**	**$304,976**	**$66,285**	**$18,719**	**$179,673**

*Moody's or equivalent credit quality ratings have been used.

Diversified Bond Fund
Balances of Securities Lending Transactions at June 30, 2006
(dollars in thousands)

Securities Lent for Cash Collateral	Fair Value of Lent Securities	Cash Collateral Received for Lent Securities
Corporate Debt Instruments	$14,048	$14,651
U.S. Treasury Obligations	50,020	51,835
Mortage-Backed Securities	147,045	149,815
U.S. Government Agency Obligations	56,375	58,056
Totals	**$267,488**	**$274,357**

At June 30, 2006, the DBF portfolio included two Federal Home Loan Bank securities with an aggregate fair value of $16.3 million, which may be highly sensitive to interest rate changes. Both had floating interest rates, were callable quarterly, and the quarterly coupon rates were based on the three-month LIBOR plus basis points.

NOTE 4. INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

Interfund balances at June 30, 2006, consist of the following receivables and payables *(dollars in thousands)*:

		Interfund Receivables							
		General Fund	Trans-portation	Nonmajor Special Revenue	College and University	Nonmajor Enterprise	Internal Service	Fiduciary	Total
Interfund Payables	General Fund		$41	$18	$516	$7	$37		**$619**
	Health and Welfare			56	594	45	660		**1,355**
	Transportation			89		272			**361**
	Nonmajor Special Revenue	$628		1,743	1,017	8	37		**3,433**
	College and University	3,328					58		**3,386**
	Internal Service		6				44		**50**
	Fiduciary							$1,572	**1,572**
	Total	**$3,956**	**$47**	**$1,906**	**$2,127**	**$332**	**$836**	**$1,572**	**$10,776**

Interfund receivables and payables generally consist of short-term receivables and payables for goods and services provided by one individual fund within the State to another. Most balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, or 3) payments between funds are made.

The receivables not expected to be collected within one year include $0.3 million advanced by the General Fund to nonmajor special revenue funds and $1.5 million advanced by nonmajor special revenue funds to other nonmajor special revenue funds.

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, were as follows *(dollars in thousands)*:

		Transfers In							
		General Fund	Health and Welfare	Pooled Endowment	Nonmajor Special Revenue	College and University	Loan	Internal Service	Total
Transfers Out	General Fund		$465,812	$4,600	$16,612	$267,922	$3,000	$1,830	**$759,776**
	Health and Welfare				198				**198**
	Transportation	$84			15,712				**15,796**
	Public School Endowment	23,087							**23,087**
	Pooled Endowment	7,738				9,520			**17,258**
	Nonmajor Special Revenue	67,035	16		474	100	2,600		**70,225**
	Unemployment Compensation				5,096				**5,096**
	Nonmajor Enterprise	32,445	1,850						**34,295**
	Internal Service	17							**17**
	Total	**$130,406**	**$467,678**	**$4,600**	**$38,092**	**$277,542**	**$5,600**	**$1,830**	**$925,748**

Interfund transfers are primarily performed for two reasons:

1) Taxes, fees, penalties, earnings, and other revenues are transferred from the agencies that initially collect them (such as the Tax Commission) to the General Fund and other funds as dictated by state law; and

2) Revenues are transferred from the fund that is statutorily required to collect them to the fund that is directed, by budgetary authorization, to spend them.

During fiscal year 2006 the following nonroutine statutory transfers were made:

- $4.6 million from the General Fund to the Pooled Endowment fund to reallocate endowment and General Fund support for the Agricultural College Earnings Reserve and the Charitable Institutions Earnings Reserve.

- $1.8 million from the General Fund to the General Services internal service fund for rent payments for space occupied by elected officials in the Capitol Mall area.

NOTE 5. NONCURRENT RECEIVABLES

Loans and notes receivable in the Transportation fund consist of long-term receivables from the sale of capital assets in the amount of $0.3 million, which is not expected to be collected within one year.

Loans and notes receivable in the nonmajor special revenue funds consist of long-term receivables for energy and soil conservation projects in the amount of $7.2 million, of which $6.1 million is not expected to be collected within one year. Accounts receivable in the nonmajor special revenue funds amount to $8.2 million, of which $1.8 million relating to compliance penalties and restitution to crime victims who have suffered an economic loss is not expected to be collected within one year.

Loans and notes receivable in the Loan fund consist of long-term receivables for water project development, drinking water system improvements, and wastewater facility enhancements in the amount of $147.1 million, of which $141.2 million is not expected to be collected within one year.

Loans and notes receivable in the College and University fund in the amount of $24.4 million consist mainly of student loans, of which $20.3 million is not expected to be collected within one year.

Loans and notes receivable for discretely presented component units in the amount of $982.8 million consist mainly of long-term receivables from the sale of mortgages by the Idaho Housing and Finance Association and loans to municipalities by the Bond Bank Authority, of which $764.7 million is not expected to be collected within one year.

Noncurrent interfund receivables are discussed in Note 4.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, was as follows *(dollars in thousands)*:

Primary Government **Governmental Activities:**	**Balances at July 1, 2005, As Restated**	**Increases**	**Decreases**	**Balances at June 30, 2006**
Capital Assets not Being Depreciated:				
Land	$900,100	$22,565	($2,612)	$920,053
Construction in Progress	599,979	250,780	(201,201)	649,558
Infrastructure	1,826,959	4,701	(2,492)	1,829,168
Historical Art and Collections	123			123
Total Capital Assets not Being Depreciated	3,327,161	278,046	(206,305)	3,398,902
Capital Assets Being Depreciated:				
Buildings and Improvements	565,443	53,837	(6,178)	613,102
Improvements Other Than Buildings	41,263	3,461	(1,329)	43,395
Machinery, Equipment, and Other	301,582	37,151	(21,520)	317,213
Infrastructure	494,339	120,917	(7,463)	607,793
Total Capital Assets Being Depreciated	1,402,627	215,366	(36,490)	1,581,503
Less Accumulated Depreciation for:				
Buildings and Improvements	(212,652)	(13,921)	1,512	(225,061)
Improvements Other Than Buildings	(10,688)	(1,973)	104	(12,557)
Machinery, Equipment, and Other	(184,547)	(24,821)	10,973	(198,395)
Infrastructure	(131,164)	(12,526)	1,295	(142,395)
Total Accumulated Depreciation	(539,051)	(53,241)	13,884	(578,408)
Total Capital Assets Being Depreciated, Net	863,576	162,125	(22,606)	1,003,095
Governmental Activities Capital Assets, Net	**$4,190,737**	**$440,171**	**($228,911)**	**$4,401,997**

Beginning balances were adjusted for reclassification of construction in progress to infrastructure and for capital assets acquired in prior years.

Business-Type Activities:	Balances at July 1, 2005	Increases	Decreases	Balances at June 30, 2006
Capital Assets not Being Depreciated:				
Land	$41,019	$13,034	($126)	$53,927
Construction in Progress	63,152	37,287	(55,152)	45,287
Historical Art and Collections	2,222	41	(140)	2,123
Intangible Assets	22,573	1,809		24,382
Total Capital Assets not Being Depreciated	128,966	52,171	(55,418)	125,719
Capital Assets Being Depreciated:				
Buildings and Improvements	781,861	54,278	(1,487)	834,652
Improvements Other Than Buildings	43,155	1,768	(143)	44,780
Machinery, Equipment, and Other	289,985	20,664	(10,536)	300,113
Total Capital Assets Being Depreciated	1,115,001	76,710	(12,166)	1,179,545
Less Accumulated Depreciation for:				
Buildings and Improvements	(260,675)	(20,509)	248	(280,936)
Improvements Other Than Buildings	(20,281)	(1,779)	143	(21,917)
Machinery, Equipment, and Other	(204,835)	(20,760)	9,507	(216,088)
Total Accumulated Depreciation	(485,791)	(43,048)	9,898	(518,941)
Total Capital Assets Being Depreciated, Net	629,210	33,662	(2,268)	660,604
Business-Type Activities Capital Assets, Net	**$758,176**	**$85,833**	**($57,686)**	**$786,323**

Depreciation expense was charged to functions of the primary government as follows *(dollars in thousands)*:

Governmental Activities:	
General Government	$8,118
Public Safety and Correction	6,494
Health and Human Services	1,893
Education	2,237
Economic Development	25,836
Natural Resources	7,188
In addition, depreciation on capital assets held by the State's internal service funds is charged to the various functions based on their usage of the assets	1,475
Total Depreciation Expense for Governmental Activities	**$53,241**
Business-Type Activities:	
College and University	$42,267
Loan	137
Nonmajor Enterprise	644
Total Depreciation Expense for Business-Type Activities	**$43,048**

Discretely Presented Component Units	Balances at July 1, 2005	Increases	Decreases	Balances at June 30, 2006
Capital Assets not Being Depreciated:				
Land	$21,532	$16,717	($17,531)	$20,718
Total Capital Assets not Being Depreciated	21,532	16,717	(17,531)	20,718
Capital Assets Being Depreciated:				
Buildings and Other Improvements	21,728	122		21,850
Improvements Other than Buildings	250	40		290
Machinery, Equipment, and Other	3,370	39	(46)	3,363
Total Capital Assets Being Depreciated	25,348	201	(46)	25,503
Less Accumulated Depreciation for:				
Buildings and Other Improvements	(5,419)	(606)		(6,025)
Improvements Other than Buildings	(199)	(19)		(218)
Machinery, Equipment, and Other	(3,004)	(176)	45	(3,135)
Total Accumulated Depreciation	(8,622)	(801)	45	(9,378)
Total Capital Assets Being Depreciated, Net	16,726	(600)	(1)	16,125
Component Unit Activities Capital Assets, Net	**$38,258**	**$16,117**	**($17,532)**	**$36,843**

NOTE 7. RETIREMENT PLANS

Summary of Plans

The Public Employee Retirement System of Idaho (PERSI) administers the Public Employee Retirement Fund Base Plan (PERSI Base Plan), the Firefighters' Retirement Fund (FRF), and the defined contribution retirement plans. A retirement board appointed by the Governor and confirmed by the State Senate manages PERSI, which includes selecting the funding agents and establishing funding policy. The Idaho Judicial Department, under the direction of the Idaho Supreme Court, administers the Judges' Retirement Fund (JRF). The Teachers' Insurance and Annuity Association-College Retirement Equities Fund administers an Optional Retirement Plan (ORP) for the colleges and universities. The Idaho Department of Commerce and Labor administers a closed retirement plan for certain employees of the Department hired prior to October 1, 1980.

PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

Each of the PERSI-administered plans, the JRF, the ORP, and the Labor Retirement are discussed individually below.

A. Public Employee Retirement Fund Base Plan

Plan Description

Organization and Purpose
The PERSI Base Plan is a cost-sharing, multiple-employer defined benefit retirement plan. It is governed by *Idaho Code*, Sections 59-1301 through 59-1399.

Membership
State agencies, school districts, cities, counties, highway districts, water and sewer districts, and other political subdivisions contribute to the PERSI Base Plan. Participation is mandatory for state employees who normally work 20 or more hours a week for five or more consecutive months. As of June 30, 2006, the number of participating employer units is 692 and actual benefit recipients and members are as follows:

Retirees and Beneficiaries	28,438
Vested Terminated Employees	8,948
Current Active Employees	64,762
Total	102,148

Benefits
The benefit structure is based on each member's years of service, age, and highest average salary. In addition, benefits are provided for disability or death and to survivors of eligible members or beneficiaries. Members

are eligible for retirement benefits upon attainment of the age specified for their employment classification or a combination of age plus service. The annual service retirement allowance for each month of credited service is 2 percent (2.3 percent for police) of the average monthly salary for the highest consecutive 42 months.

The benefit payments are calculated using a benefit formula adopted by the Idaho Legislature. The PERSI Base Plan is required to provide a 1 percent minimum cost of living increase per year provided the Consumer Price Index increases 1 percent or more. The PERSI Retirement Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6 percent, whichever is less; however, any amount above the 1 percent minimum is subject to approval by the Legislature.

Summary of Significant Accounting Policies

The PERSI Base Plan's basic financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as additions to net assets when due and receivable; investment income is recognized when earned; and benefit payments, refunds, and other expenses are recorded when the benefits are due and payable in accordance with the Plan's terms.

Investments are presented at fair value. Purchases and sales are recorded at the trade date. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of longer-term real estate investments has been estimated based on PERSI's consultant assessments and/or independent appraisals. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest, which approximates market value. Investments held by the PERSI Base Plan and the FRF are commingled.

Funding Policy

Contributions and Vesting
Funding policy for the PERSI Base Plan is determined by the Board as defined by Idaho law. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The PERSI Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period permitted under *Idaho Code*, Section 59-1322, is 25 years. The payroll for covered employees was approximately $2.3 billion.

Employer contributions required and paid were $212.6 million, $236.1 million, and $250.8 million, for the years ended June 30, 2004, 2005, and 2006, respectively. The State participates as an employer in the PERSI Base Plan. State contributions required and paid were $69.3 million, $76.2 million, and $83.1 million, for the years ended June 30, 2004, 2005, and 2006, respectively.

Actuarial valuations are performed annually. The last valuation was performed as of July 1, 2006. Normal cost is 14 percent of covered payroll and the amount available to amortize the unfunded actuarial liability is 4.8 percent of covered payroll.

The contribution rates for the year ended June 30, 2006, were as follows:

Employee Group	Employer	Employee
PERSI		
General	10.4%	6.2%
Police and Fire	10.7%	7.7%
ORP		
Colleges and Universities	3.0%	N/A
Junior Colleges	3.8%	N/A

After five years of credited service (five months for elected or appointed officials) members become fully vested in retirement benefits earned to date. Upon termination of employment accumulated member contributions plus interest accrued at 10.2 percent January 1 through June 30, 2006; and 17.5 percent July 1 to December 31, 2005; compounded monthly per annum, are refundable. Withdrawal of such accumulated contributions results in forfeiture of the member's accrued benefit; however, state law does include provisions for reinstatement of forfeited service upon repayment of the accumulated contributions plus interest.

Funding
Contributions from members and employers, in addition to earnings from investments, fund PERSI Base Plan benefits. Member and employer contributions are a percentage of applicable member compensation. As defined by state law, member contribution rates are a percentage of the employer contribution rate. Employer contribution rates are recommended by periodic actuarial valuations and are subject to the approval of PERSI's Retirement Board and limitations set forth in state statute. Valuations are based on actuarial assumptions, the benefit formulas, and employee groups of PERSI. Costs of administering the plans are financed through the contributions and investment earnings of the system.

B. Firefighters' Retirement Fund

Plan Description

The FRF is a cost-sharing, multiple-employer, defined benefit retirement plan. The FRF is governed by *Idaho Code*, Sections 72-1401 through 72-1472. The FRF is administered by the PERSI, which is part of the primary government. However, the State does not employ firefighters participating in the FRF; therefore, no employer costs are disclosed. As of June 30, 2006, there were 22 participating employer units, all consisting of local fire departments. The significant accounting policies are the same as detailed for the PERSI Base Plan. Complete FRF disclosures may be found in the PERSI financial statements.

C. Defined Contribution Retirement Plans

Plan Description

Organization and Purpose
The defined contribution retirement plans include the 401(k) and the 414(k). The plans are governed by *Idaho Code*, Sections 59-1301 through 59-1399. The 414(k) plan was established for gain sharing allocations from the PERSI Base Plan. The gain-sharing amount (if any) is based on funding levels in the PERSI Base Plan.

Membership
The 401(k) plan is open to all active PERSI Base Plan members and was established February 1, 2001. Eligibility for the 414(k) gain sharing requires twelve months of active PERSI membership as defined in Idaho statutes and PERSI rules. On February 1, 2001, all eligible PERSI Base Plan members who were active as of June 30, 2000, and eligible to receive gain sharing contributions, received an allocation. The plans have 692 employer units eligible to have participating employees. As of June 30, 2006, the plans had 47,053 participating employees.

Summary of Significant Accounting Policies

The assets of the 401(k) and the 414(k) plans are commingled for investment and recordkeeping purposes. The other significant accounting policies are the same as the PERSI Base Plan.

Funding Policy

Contributions
Beginning in January 2002 employees in the 401(k) plan could make tax-deferred contributions up to 100 percent of their gross salary less deductions and subject to the IRS annual contribution limit. Participants direct their investment mix without restriction and may elect to change their salary deferral. On May 1, 2001, the 401(k) plan became open to voluntary employer matching contributions at rates determined by the employers. Employers and participants in the plans contributed $0.3 million and $25.9 million, respectively, during the fiscal year ended June 30, 2006.

Funding
PERSI entered into a contract with ACS HR Solutions for plan services. The eleven investment options are mutual or collective funds and include the PERSI Total Return Fund, seven equity funds, two fixed income funds, and a stable value fund. Participants may allocate their assets in one percent increments among these options; however, if no allocation preference is indicated, a default investment election to the PERSI Total Return Fund is made. The administrative expenses of the plans are paid to ACS and funded by the PERSI Base Plan.

D. Judges' Retirement Fund

Plan Description

Organization and Purpose
The JRF is a single-employer defined benefit retirement plan, which provides retirement benefits for Idaho Supreme Court justices, court of appeals judges, and district court judges, hereinafter referred to as "members." The Judicial Department, under the direction of the Idaho Supreme Court, administers the JRF. The JRF is guided by *Idaho Code*, Sections 68-501 through 68-506; and *Idaho Code*, Title 1, Chapter 20; and is empowered in its sole discretion to limit, control, and designate the types and amounts of investments.

The JRF issues a publicly available financial report that includes financial statements and required supplementary

information. That report may be obtained by writing to the Idaho Supreme Court, P.O. Box 83720, Boise, ID 83720-0101.

Membership
As of June 30, 2006, the JRF has 60 retired members or beneficiaries collecting benefits, 8 terminated members entitled to but not yet receiving benefits, and 48 active members.

Benefits
The benefit structure is based on each member's years of service and compensation. In addition, benefits are provided for disability or death and to survivors of eligible members. The benefit payments for the JRF are calculated using a benefit formula adopted by the Idaho Legislature, effective July 1, 2000. Members serving prior to but not on July 1, 2000, are paid under option A. Members serving on or after July 1, 2000, may choose between two benefit payment options, A or B. Both options are based upon compensation of the highest office in which the member served, with benefits for option A accumulating as follows:

> For the first ten years of service, benefits are credited at 5 percent per year of member's compensation. For the remaining years of service, benefits are credited at 2.5 percent per year of member's compensation.

In addition to the above benefits, option B includes:

> Benefits credited at 2.5 percent per year for senior judges with five years of service.

The maximum benefit is 75 percent of compensation. Surviving spouses will be entitled to benefits equal to 50 percent of the member's calculated benefit.

Summary of Significant Accounting Policies

The JRF's financial statements are prepared using the accrual basis of accounting and flow of economic resources measurement focus. Member and Department contributions are recognized as revenues in the period in which the member's services are performed. Investment income and filing fees are recognized when earned. Benefit payments and refunds are recognized when the obligation is due and payable in accordance with terms of the plan. Other expenditures are recognized when the obligation is incurred.

The JRF's investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers when available. Short-term investments are reported at market value when published market prices and quotations are available or at cost plus accrued interest, which approximates market value. Purchases and sales are recorded at the trade date.

Funding Policy

Contributions and Vesting
Members and the Judicial Department contribute to the JRF during the members' first 20 years of employment. Member and Department contributions are a percentage of member compensation as defined by state law. JRF policy provides for Department and member contributions at 7 percent and 6 percent, respectively, of annual covered payroll. The payroll for members covered by the JRF was approximately $4.5 million for the fiscal year ended June 30, 2006. In addition, specified court-filing fees in civil court actions are dedicated to the JRF.

Actuarial valuations of the funding status and required contribution levels are generally performed biennially using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The unfunded actuarial liability created by this method is amortized as a level percentage of salary over 25 years on an open basis. The actuarial assumptions include a 7.5 percent investment rate of return, projected salary increases of 3 percent, and postretirement benefit increases of 3 percent. Based on the most recent actuarial valuation as of June 30, 2006, the annual required contribution (ARC) is $2.3 million. Net pension obligation increased from $0.6 million in 2005 to $1.1 million in 2006 due to the annual pension cost exceeding the employer's contributions. Total Judicial Department and member contributions to the pension plan for the fiscal year ended June 30, 2006, amounted to $2.1 million, of which $1.5 million was received from filing fees and $0.3 million each from the Judicial Department and its members.

The State's annual pension cost and net pension obligation to JRF for the current year and two preceding years are as follows:

Idaho Judges' Retirement Fund
Annual Pension Cost and Net Pension Obligation
(dollars in thousands)

	2004	2005	2006
Annual Required Contribution (ARC)	$2,086	$2,099	$2,284
Interest on Net Pension Obligation (NPO)	9	28	47
Adjustment to ARC	(10)	(34)	(56)
Annual Pension Cost (APC)	2,085	2,093	2,275
Employer Contributions Made	(1,834)	(1,847)	(1,825)
Increase (Decrease) in NPO	251	246	450
Prior Year NPO	124	375	621
Current Year NPO	$375	$621	$1,071
Percentage of APC Contributed	88.0%	88.2%	80.2%

Members become fully vested in their retirement benefits after four years of credited service. If a member terminates from the retirement plan prior to four years of service, the member's contributions plus 6.5 percent per annum will be returned. Members are eligible for retirement benefits upon meeting one of the following criteria:

- attainment of age 65 and a minimum of 4 years of service
- attainment of age 60 and a minimum of 10 years of service
- attainment of age 55 and a minimum of 15 years of service, or
- after 20 years of service

Funding
The JRF's benefits are funded by contributions from members and the Judicial Department, earnings from investments, and court filing fees. Costs of administering the JRF are financed through the contributions and investment earnings of the JRF.

E. College and University Optional Retirement Plan

Plan Description

Organization and Purpose
Effective July 1, 1990, the State Legislature authorized the Idaho State Board of Education to establish the Optional Retirement Plan (ORP), a defined contribution plan for college and university faculty and exempt employees. The ORP is governed by *Idaho Code*, Sections 33-107A and 33-107B. Vendor options include Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company. The Plan is administered by TIAA-CREF, and they may be reached at (800) 842-2009.

Membership
New faculty and exempt employees hired July 1, 1990, or thereafter, automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990, had a one-time opportunity to enroll in the ORP.

Funding Policy

Contributions and Vesting
The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State. The contribution requirement and amount paid for the fiscal year ended June 30, 2006, was $27.4 million, which consisted of $14.4 million from the colleges and universities and $13.0 million from employees. These contributions represented approximately 7.7 percent and 7 percent of covered payroll from the universities and employees, respectively.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age (62 years of age for University of Idaho participants).

F. Department of Labor Retirement Plan

Plan Description

Organization and Purpose
This stand-alone, insured retirement plan provides retirement benefits for certain employees (and their beneficiaries) of the Idaho Department of Commerce and Labor hired prior to October 1, 1980. The Plan is governed by *Idaho Code*, Section 72-1335, and U.S.

Department of Labor Rules and Regulations. The Labor Retirement Plan is administered by the Idaho Department of Commerce and Labor, which may be reached at (208) 332-3570 ext. 3228.

Membership
As of June 30, 2006, the number of Idaho Department of Commerce and Labor members and actual benefit recipients are as follows:

Retirees and Beneficiaries	399
Inactive Vested Employees	22
Current Active Employees	55
Total	476

Benefits
The retirement benefit payments are calculated using a benefit formula established by the Plan. This monthly benefit is payable for life, through an annuity purchased for each retired employee from Prudential Insurance Company, with 120 payments guaranteed to the annuitant or their survivor. Once an annuity is purchased, Prudential assumes the risk for the insured benefit and has guaranteed to pay benefits in the event the trust funds are depleted. The Plan provides that the contributions paid by the employer to Prudential are in complete discharge of the employer's financial obligation under the Plan. At September 30, 2005 (the last actuarial valuation date), there was no unfunded liability. The normal service retirement allowance is the average annual salary for the highest three consecutive years times 2 percent for each year of credited service.

The present value of future retirement benefits is $129.1 million. The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent for 2005. Net assets available for benefits (at fair value) are $177.6 million.

Funding Policy

Contributions
Until August 1999, 7 percent of payroll was contributed by the employee. The employee contribution was required by the Plan and was therefore made even though it was not actuarially needed to finance future benefits. In August 1999 the U.S. Department of Labor approved a plan change to allow the plan actuary to determine the employee contribution rate. Employee contributions were then suspended through September 30, 2006, consistent with the most recent actuarial valuations. This valuation certified that the total contribution rate should remain at zero through September 30, 2007. The total employer contribution for federal fiscal year 2005 was zero. The employer payments have been fully funded by federal revenues from the U.S. Department of Labor.

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The State funds or partially funds the following postemployment benefits relating to health, disability, and life insurance. *Idaho Code*, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations.

Retiree Health Insurance Subsidy

A retired officer or employee of a state agency, department, or institution, including an elected official, who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) and whose unreduced PERSI monthly benefit at the time of retirement would meet or exceed the monthly cost of single retiree health insurance coverage, may elect to have the State's retiree health insurance coverage for themselves and eligible dependents. To be eligible, state employees must enroll within sixty days of the date of their retirement and must have ten or more years (20,800 or more hours) of credited state service in a state-sponsored retirement system.

Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. In fiscal year 2006 the State contributed eight dollars per active non-retired employee per month and the active employees contributed an equal amount, which went to a reserve to offset the monthly costs of the retirees' benefits. Other than an aging population, no significant matters affect comparability of the State's costs from one year to the next. The State's annual contribution towards the retiree premium cost was approximately $1.7 million; the active employees contributed an equal amount towards the retiree subsidy. The State's contribution was approximately 10.7 percent of the total cost of the retiree plan of $16.3 million. A total of 3,185 retired employees are enrolled and receiving benefits as of June 30, 2006. The Legislature has not set aside any assets to pay future benefits; the State funds this benefit on a pay-as-you-go basis.

Long-Term Disability Benefits

Long-term disability benefits are available for active employees who become disabled, generally up to a maximum age of 70. Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired for the first 30 months of disability, or any job thereafter for which they are reasonably qualified by experience, education, or training. Additionally, to qualify for long-term disability, the waiting period of the later of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met. The gross benefit equals 60 percent of monthly salary or $3,000 (whichever is smaller). The benefit does not increase with inflation and may be offset by other disability benefits from Social Security, Workers' Compensation, or PERSI. The State pays 100 percent of the cost of the benefit.

Beginning in fiscal year 2004 long-term disability benefits are insured by Principal Life Insurance Company. Claims for prior fiscal years are advance-funded by the State on an actuarially determined basis, using the one-year term cost method. Each fiscal year the State funds the estimated actuarial present value of benefits for disabilities incurred in that fiscal year. In addition, funding for disabilities incurred in prior fiscal years is adjusted periodically to reflect unanticipated changes in the number of claimants or benefit levels. Significant actuarial assumptions are based on an interest rate of 5.5 percent and the 1987 Commissioner's Group Disability Table.

Plan assets are valued at cost. Based on the most recent actuarial valuation as of June 30, 2005, net assets available for future payments were $17.3 million. The actuarial accrued liability for disabilities incurred in fiscal year 2003 and all prior fiscal years was $9.7 million ($14.1 million on an undiscounted basis) and there was no unfunded actuarial accrued liability. The State's actuarially required and actual contribution for the fiscal year ending June 30, 2005, was zero. As of June 30, 2005, there were 213 disabled employees receiving this benefit.

Life Insurance for Disabled Employees

The State pays 100 percent of the cost of basic life and dependent life coverage for disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than $20,000. The benefit does not increase with inflation.

The State holds a reserve to self-fund the life claims for disabled employees in the event of contract termination with the Principal Life Insurance Company. This reserve is actuarially determined using the one-year-term cost method, and it is funded periodically by the State. Significant actuarial assumptions are based on an interest rate of 5.5 percent and the 1970 Intercompany Group Life Disability Valuation Table.

Plan assets are valued at cost. As of June 30, 2005, the net assets available for future payments were $5.3 million. The actuarial accrued liability for disabilities incurred in fiscal year 2005 and all prior fiscal years was $7.0 million ($9.5 million on an undiscounted basis) and the unfunded actuarial accrued liability was $1.7 million. An actuarially required contribution was not determined, and no contribution was made for the fiscal year ending June 30, 2005. At year-end there were 549 disabled employees receiving this benefit.

Health Insurance for Disabled Employees

For up to 30 months following the date of disability, the State pays 100 percent of the State's share of medical/dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for these benefits.

Each fiscal year, the State advance-funds the estimated actuarial present value of benefits for disabilities incurred in that fiscal year. In addition, funding for disabilities incurred in prior fiscal years is adjusted periodically to reflect unanticipated changes in number of claimants or benefit levels. The reserves and funding amounts are actuarially determined in accordance with the one-year-term cost method. Significant actuarial assumptions are based on a medical trend rate of 15 percent, a discount rate of 4 percent, and a standard disability termination table.

Plan assets are valued at cost, and as of June 30, 2005, the net assets available for future payments were $0.2 million. The actuarial accrued liability for disabilities incurred in fiscal year 2005 and all prior fiscal years was $1.19 million ($1.24 million on an undiscounted basis), and the unfunded actuarial accrued liability was $1.0 million.

The State's actuarially required contribution for the period was $5.35 per employee per month and actual contributions for the period were $5.35 per employee per month. As of June 30, 2005, there were 138 disabled employees receiving this benefit.

Postemployment Benefits for Selected Employees

Boise State University, Idaho State University, Lewis-Clark State College, and Eastern Idaho Technical College provide basic life insurance for life for certified retired employees. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. Eligible retirees receive insurance equal to 100 percent of the annual salary at retirement. Currently 583 retired employees are receiving this benefit.

The Judicial Department provides basic life insurance for life for all retired Idaho Supreme Court Justices, District Court Judges, Magistrate Judges, and Court Administrators. Eligible retirees receive insurance equal to 100 percent of the annual salary of the position from which they retired. Currently 96 retired employees are receiving this benefit.

The Department of Commerce and Labor provides basic life insurance for life for all certified retired employees. Eligible retirees receive insurance equal to 50 percent of the annual salary at retirement, not to exceed $5,000 of insurance. Currently 436 retired employees are receiving this benefit.

The above-listed employers pay 100 percent of the cost of these benefits, which are funded on a pay-as-you-go basis. A total of $0.6 million was expended in fiscal year 2006.

The University of Idaho provides post-retirement medical, dental, and life insurance coverage for life to employees who meet certain age and service requirements. In general, the employee must have completed at least 30 years of credited service or the sum of his/her age and years of credited service must total at least 80 to qualify for this benefit. This benefit has not been offered to employees hired on or after January 1, 2002. The University partially funds these obligations by depositing 1.5 percent of employee gross payrolls into a reserve. The University had expenses totaling $2.9 million in fiscal year 2006 to purchase insurance for 714 retired employees. As of June 30, 2006, approximately $6.3 million is available to fund these obligations.

Other Employee Benefits

School districts and state agencies provide for the payment of certain postretirement health insurance premiums. The Public Employee Retirement System of Idaho (PERSI) administers the Sick Leave Insurance Reserve Fund on behalf of the employers. This benefit is considered a termination payment for employees who retire and is reported as a trust fund. The assets are presented at fair value.

Idaho Code, Sections 67-5333(2), 33-1216, and 33-1228 governs the program which provides for the payment of postretirement health benefits offered by the employer. The employers finance the program by remitting a percentage of payroll to PERSI to cover future insurance premiums. The rate of contributions as a percent of covered salary at June 30, 2006, was 0.65 percent for State employees and 1.15 percent for school district employees.

The amount available to pay benefits is based on unused accumulated sick leave at an employee's retirement date. The benefit for school district employees is limited to one-half of their eligible sick leave balance and rate of compensation at retirement. State employees may use one-half of sick leave hours accrued up to the allowable maximum (as shown below) multiplied by their rate of compensation at retirement.

Credited Hours of State Service		Maximum Allowable Hours
0 – 10,400	(0-5 years)	420
10,401 – 20,800	(5-10 years)	480
20,801 - 31,200	(10-15 years)	540
31,201 +	(15 years or more)	600

Postretirement health insurance premiums are paid from the retiree's sick leave account until the account balance is exhausted.

NOTE 9. RISK MANAGEMENT

The State maintains a combination of commercial and self-insurance to cover the risk of losses to which it may be exposed. This is accomplished through the Risk Management and Group Insurance internal service funds and various outside entity insurance providers.

The Risk Management fund manages property and general liability risk. The Fund also finances and accounts for other risks not covered by Group Insurance and various outside entity insurance providers. General liability claims are self-insured up to the *Idaho Tort Claims Act* maximum of $500,000 for each occurrence. Property damage claims are self-insured for up to $250,000 per occurrence annually. Comprehensive collision and physical damage to covered vehicles are self-insured for actual cash value. The State purchases commercial insurance for claims not self-insured by the above coverages and for other identified risks of loss, including workers' compensation insurance.

The Group Insurance fund is used to account for and finance life, health, and disability insurance programs. Long-term disability benefits within Group Insurance are partially insured through others, but the majority is self-insured. The liability for self-insurance claims has been actuarially determined. Policy claim liabilities are presented in the Group Insurance fund and are composed of the liability for self-insured claims and the amounts required to fund premium payments of life and health coverage for disabled employees. Life, short-term disability, and health insurance programs are experience rated and fully insured. However, when the claims exceed 100 percent of the annual premium paid to the insurer, the State is responsible for up to an additional 10.6 percent of the annual premiums for medical, 10 percent for dental, and 10 percent for life and disability coverage. The insurance carrier assumes the risk of loss for claims above the contractual ceilings. The amount for which the State is responsible is accounted for and presented as restricted net assets in the Group Insurance fund. The State also maintains program and premium stabilization balances in the event restricted equity is exhausted. These amounts are included with unrestricted net assets in the Group Insurance fund.

All state entities may participate in the Risk Management and Group Insurance programs. Payments are made to the Risk Management fund based on actuarial estimates, loss experience, exposure, and asset value covered. Payments made to the Group Insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Claim settlements have not exceeded insurance coverage for each of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities for Risk Management include claims that have been incurred but not reported; incremental claim adjustment expenses related to specific claims; claim adjustment costs, both allocated and unallocated; and any anticipated subrogation receipts. At fiscal year-end $18.5 million of unpaid claim liabilities for Risk Management are presented at present value, $16.0 million, using a 5 percent discount interest rate. Unpaid claim liabilities of $24.9 million for Group Insurance are presented at present value, $17.9 million, using a 5.5 percent discount rate.

The State records its premium liability using discounted amounts provided by actuaries. The discounted liabilities take into account anticipated investment income. Changes in policy claim liabilities for the fiscal years ending June 30, 2005 and 2006, are as follows *(dollars in thousands)*:

	Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimate	Claims Payments	Ending Balance
Risk Management	2005	$11,828	$7,619	($2,089)	$17,358
	2006	$17,358	$2,738	($4,117)	$15,979
Group Insurance*	2005	$23,346	($3,441)	$0	$19,905
	2006	$19,905	($2,010)	$0	$17,895

*Group Insurance amounts are based on the most recent actuarial study for fiscal year 2005 and estimates for fiscal year 2006.

NOTE 10. LEASES

A. State as Lessee

The State leases office buildings, vehicles, and office equipment. Although the lease terms vary, most leases are subject to annual appropriations from the State Legislature to continue the lease obligations. If a legislative appropriation is reasonably assured, leases are considered noncancelable for financial reporting purposes. Any escalation clauses, sublease rentals, executory costs, and contingent rentals are considered immaterial to the future minimum lease payments and current rental expenditures.

Operating Leases

Operating leases are leases that do not qualify for capitalization; therefore, the lease agreements are not reflected as assets in the State's balance sheet. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred. The total operating lease expenditures/expenses for fiscal year 2006 were $22.0 million for the primary government and $47,957 for component units. Operating leases contain various renewal options, as well as some purchase options.

Capital Leases

Capital leases are leases the State has entered into that are, in substance, a purchase. At the date of acquisition, the assets are valued on the balance sheet at the present value of the future minimum lease payments. Capital lease assets and obligations are recorded in the respective funds as capital assets and long-term obligations. Interest expense for capital leases is not capitalized. Amortization of assets acquired under capital lease is included with depreciation expense.

Future minimum lease commitments for noncancelable operating and capital leases as of June 30, 2006, are as follows *(dollars in thousands)*:

	Operating Leases		Capital Leases			
Fiscal Year	Primary Government	Component Units	Governmental Activities	Business-Type Activities With Third Parties	Business-Type Activities With Component Unit	Total Capital Leases
2007	$21,897	$14	$1,933	$511	$431	$2,875
2008	17,392	7	1,922	463	426	2,811
2009	12,016	9	1,827	416	425	2,668
2010	10,067	9	1,419	416	423	2,258
2011	7,579	9	1,236	128	430	1,794
2012 - 2016	12,067	61	5,613		2,151	7,764
2017 - 2021	4,706	87	4,744		404	5,148
2022 - 2026	4,978	120	3,592			3,592
2027 - 2031		95	968			968
2032 - 2036		46				
Total Payments	**$90,702**	**$457**	23,254	1,934	4,690	29,878
Less Imputed Interest			(9,325)	(225)	(1,268)	(10,818)
Total Present Value of Minimum Lease Payments			**$13,929**	**$1,709**	**$3,422**	**$19,060**

The Department of Commerce and Labor intends to cancel a capital lease on December 31, 2006. The asset acquired under this capital lease is a building with a fiscal year-end book value of $0.6 million. Future minimum lease payments amount to $4.2 million with $3.4 million representing imputed interest. This leaves a fiscal year-end liability of $0.8 million. Upon cancellation the asset and liability will be removed with a gain or loss recognized for the difference. No termination fees are expected upon cancellation.

Assets under capital lease as of June 30, 2006, are as follows *(dollars in thousands)*:

	Governmental Activities	Business-Type Activities	Capital Assets Under Capital Leases
Land	$166		$166
Buildings and Improvements	13,089	$7,068	20,157
Improvements Other Than Buildings	609		609
Machinery, Equipment, and Other	2,609	3,015	5,624
Total Capital Leases	**$16,473**	**$10,083**	**$26,556**

B. State as Lessor

Non-state parties rent land and buildings under operating leases from the Lava Hot Springs Foundation, the Departments of Correction, Health and Welfare, Juvenile Corrections, Lands, and Parks and Recreation. At June 30, 2006, the State leased the following (*dollars in thousands*):

Asset Class	Fair Market Value at Date of Acquisition	Accumulated Depreciation	Current Book Value
Land	$2,124		$2,124
Buildings and Improvements	1,491	($680)	811
Improvements Other Than Buildings	10		10
Total	**$3,625**	**($680)**	**$2,945**

The following is a schedule of minimum future rentals for operating leases as of June 30, 2006 *(dollars in thousands)*:

Fiscal Year Ending June 30	Total
2007	$7,651
2008	7,001
2009	6,449
2010	5,989
2011	3,479
2012 - 2016	4,320
2017 - 2021	695
2022 - 2026	711
Total Minimum Future Rentals	**$36,295**

NOTE 11. SHORT-TERM DEBT

Primary Government

Idaho Code, Section 63-3201, authorizes the State Treasurer, on approval of the State Board of Examiners, to borrow money in anticipation of current year tax receipts. The State uses external tax anticipation notes to cover the shortfall between General Fund revenues and disbursements during the year. General Fund revenues are received in relatively uneven amounts throughout the fiscal year due to various factors regarding the timing of receipts, such as the collection of individual income taxes in April, large sales tax receipts in January as a result of holiday shopping, and quarterly collections of corporate income tax. During fiscal year 2006 the State anticipated that it would receive 44.2 percent of General Fund revenues in the first six months; however, disbursements during the same period were expected to account for 57.2 percent of total expenditures, mainly due to public school aid and Health and Welfare expenditures. The notes sold on the open market were issued on July 1, 2005, and redeemed on June 30, 2006.

Discretely Presented Component Unit

The Idaho Housing and Finance Association utilizes short-term borrowing in the form of commercial paper to provide funds to purchase single-family mortage loans on an interim basis as well as to finance multi-family construction loans. As of June 30, 2006, the Association has commercial paper outstanding maturing within 30 days from date of issue, with a weighted average interest rate of 5.1 percent.

Short-term debt activity for the year ended June 30, 2006, was as follows *(dollars in thousands)*:

	Beginning Balance	Issued	Redeemed	Ending Balance
Primary Government				
External Tax Anticipation Notes	$0	$260,000	$260,000	$0
Discretely Presented Component Unit				
Commercial paper	$15,000	$180,000	$180,000	$15,000

NOTE 12. BONDS/NOTES/OTHER LONG-TERM LIABILITIES

A. Compensated Absences

Idaho's compensated absences policy permits employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. Employees earn vacation based on hours worked and years of service; compensatory time earned is based on hours worked in excess of forty hours per week. Upon termination of employment, an employee is paid for unused vacation time and administrative leave. All employees covered by the Fair Labor Standards Act are paid compensatory balances at termination.

A liability is accrued for all vacation pay and compensatory time when incurred in the government-wide, proprietary, and fiduciary fund financial statements. The liability is based on the pay rate in effect at the balance sheet date.

Idaho does not accumulate a liability for sick leave since the State has a policy to not pay amounts when employees separate from service. However, upon retirement 50 percent of an employee's unused sick leave value (not to exceed 600 hours) is reported to the Public Employee Retirement System of Idaho and accumulated in a trust fund to purchase health insurance for the retiree. The liability is included as part of the compensated absences liability on the government-wide statements.

The State assumes a first-in, first-out flow for compensated absence balances, except for compensated absence balances related to retiree health insurance, of which the majority is due in more than one year. Presentation of compensated absences requires the use of certain estimates and calculations based on current year activity and historical data.

B. Revenue Bonds

Primary Government

The Idaho State Building Authority issued bonds to finance construction or acquisitions of facilities for lease to state agencies subject to prior legislative approval. Bonds are direct obligations of the Authority, payable from and secured by a pledge of lease revenues and other funds and reserves held under bond resolutions. The Authority has surety bonds in amounts up to the reserve requirements for all outstanding bonds. No amounts were outstanding at June 30, 2006, under these surety bonds.

The State's colleges and universities have a number of outstanding bonds for the primary purpose of funding various construction projects. University bonds are secured by student fees, the sale of goods and services, grants, contributions, and certain other revenues.

The Idaho Water Resource Board is authorized to issue and sell revenue bonds under provisions of *Idaho Code*, Sections 42-1739 through 42-1749. Bonds in the amount of $5.3 million were issued in 2006 to refund the Series 1999 bonds, which funded the Dworshak Hydroelectric project. The revenues derived from this project are pledged in order to pay the costs of operating and maintaining the water project. These bonds are not considered general obligations of the State. The bonds are secured by a reserve fund with the trustee bank. The reserve requirement is equal to the lesser of 125 percent

of the annual debt service, the maximum annual debt service, or 10 percent of the outstanding principal of the bonds. An amount equal to 125 percent of the current year's debt service payment is accumulating in the Loan fund for debt service payment in the event the pipeline to the generation plant is out of service.

Discretely Presented Component Units

The Idaho Housing and Finance Association is authorized to issue and sell revenue bonds under provisions of *Idaho Code*, Sections 67–6201 through 67-6226. The Association issued bonds to finance various single and multi-family housing developments and the construction of highway transportation projects. The bonds have been issued in a variable rate mode. The bulk of the bonds are re-marketed on a weekly basis at the prevailing interest rates. The multi-family housing bonds are limited obligations of the Association and are secured by the respective mortgages on each development as well as a lien on all revenues as defined in each respective bond indenture. The transportation bonds are secured by future federal highway funds. The bonds are either special or general obligations of the Association and do not constitute a debt of the State or any of its political subdivisions.

The State's college and university foundations have a number of bonds outstanding for the purpose of funding various construction projects. Foundation bonds are secured by various revenue sources, including donations, pledges, and other funds.

The Idaho Bond Bank Authority is authorized to issue and sell revenue bonds under provisions of *Idaho Constitution*, Article VIII, Section 2A, and *Idaho Code*, Sections 67-8701 through 67-8728. The bonds are used by the Authority to make loans to Idaho cities in order to finance the construction of public water and/or sewer improvements. The bonds are limited obligations of the Authority and do not constitute a debt of the State or any of its political subdivisions.

Revenue bond debt service requirements to maturity are as follows (*dollars in thousands*):

	Primary Government							
	Governmental Activities		Business-Type Activities					
Fiscal Year Ending	Nonmajor Special Revenue		College and University		Loan		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	$9,015	$9,196	$11,890	$15,154	$290	$309	$21,195	$24,659
2008	9,025	8,913	12,255	14,634	305	294	21,585	23,841
2009	8,600	8,619	12,840	14,084	325	277	21,765	22,980
2010	7,605	8,325	13,450	13,506	340	259	21,395	22,090
2011	6,650	8,052	12,840	12,897	360	240	19,850	21,189
2012-2016	35,005	35,951	71,525	54,565	2,130	869	108,660	91,385
2017-2021	43,360	27,123	75,045	35,862	1,590	202	119,995	63,187
2022-2026	44,230	15,797	52,980	18,675			97,210	34,472
2027-2031	10,185	9,716	26,820	9,320			37,005	19,036
2032-2036	11,385	7,101	10,695	4,093			22,080	11,194
2037-2041	14,620	3,867	9,595	1,608			24,215	5,475
2042-2046	7,865	466					7,865	466
Total	**$207,545**	**$143,126**	**$309,935**	**$194,398**	**$5,340**	**$2,450**	**$522,820**	**$339,974**
Interest Rate	2.00% to 5.98%		2.00% to 6.50%		5.46% to 6.28%			

Fiscal Year Ending June 30	Discretely Presented Component Units: Idaho Housing and Finance Association Principal	Idaho Housing and Finance Association Interest	College and University Foundation Principal	College and University Foundation Interest	Bond Bank Authority Principal	Bond Bank Authority Interest	Total Principal	Total Interest
2007	$114,240	$62,136	$1,635	$1,006	$960	$1,089	$116,835	$64,231
2008	37,960	73,064	1,640	946	1,285	1,171	40,885	75,181
2009	60,170	70,871	1,650	875	1,360	1,126	63,180	72,872
2010	30,190	68,794	1,660	808	1,410	1,071	33,260	70,673
2011	32,550	67,361	1,680	740	1,475	1,005	35,705	69,106
2012-2016	198,715	307,797	8,635	2,777	7,650	3,925	215,000	314,499
2017-2021	235,090	243,457	7,750	871	5,255	2,448	248,095	246,776
2022-2026	258,185	166,386			4,895	1,346	263,080	167,732
2027-2031	192,210	93,300			1,910	518	194,120	93,818
2032-2036	151,455	26,860			1,575	184	153,030	27,044
2037-2041	18,565	888					18,565	888
2042-2046	310	10					310	10
Total	**$1,329,640**	**$1,180,924**	**$24,650**	**$8,023**	**$27,775**	**$13,883**	**$1,382,065**	**$1,202,830**
Interest Rate	4.03%		3.75% to 5.35%		2.50% to 5.00%			

C. Advance Refundings

In fiscal year 2006 the Department of Water Resources, through the Idaho Water Resource Board, issued Series 2006 refunding bonds, thereby defeasing the Series 1999 bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The proceeds of the Series 2006 bonds, along with additional funds, totaled $5.2 million and were placed into an escrow account to pay all future debt service payments on the defeased bonds. The cash flow savings equaled $1.0 million ($1.7 million undiscounted), and the economic gain equaled $0.5 million. The outstanding debt payable by the escrow as of June 30, 2006, for the defeased bond issue is $4.7 million.

In prior years the Idaho State Building Authority defeased several bonds by placing governmental securities into irrevocable trusts sufficient to provide for all future debt service payments on those bonds. Consequently, the related liability was appropriately removed from the financial statements in the year of defeasance.

In prior years Boise State University and the University of Idaho defeased several bonds by placing the proceeds of general revenue and refunding bonds into escrow accounts in amounts sufficient to pay all future debt service payments on those bonds. The related liabilities were appropriately removed from the financial statements in the year of defeasance.

The outstanding debt payable as of June 30, 2006, for each defeased debt issue follows *(dollars in thousands)*:

Issuer	Debt Issue	Amount Defeased	Remaining Liability
Idaho State Building Authority	1978 Series A Bonds	$15,284	$1,440
	1992 Series C Bonds	$9,225	$6,020
Water Resource Board	1999 Series Bonds	$4,785	$4,685
Boise State University	1996 Series Bonds	$1,500	$1,500
	1998 Series Bonds	$8,130	$8,130
	2001 Series Bonds	$2,215	$2,215
	2002 Series Bonds	$105	$105
University of Idaho	1996 Series Bonds	$2,700	$0
	1997 Series Bonds	$12,965	$12,965
	1997 Supplemental Bonds	$4,120	$4,120
	1999 Series C Bonds	$4,065	$4,065
	1999 Series D Bonds	$6,020	$6,020

D. Notes Payable

Primary Government

The Idaho Potato Commission purchased capital equipment through the issuance of a note payable in fiscal year 2005. The obligation to pay for the equipment extends through fiscal year 2008.

The Department of Administration purchased operating and capital equipment through the issuance of notes payable. The obligation to pay for the equipment extends through fiscal year 2023.

The Department of Water Resources, through the Board of Water Resources, purchased water rights in fiscal year 2005. The water rights were owned by the Bell Rapids Mutual Irrigation Company and the purchase was authorized by the Legislature to address statewide water issues driven by drought, water supply, and basic demands of economic development. The obligation to pay for the water rights extends through fiscal year 2010.

The State's colleges and universities purchased land and financed various construction projects through the issuance of notes payable in prior fiscal years. Some of these notes are secured by student fees, the sale of goods and services, grants, contributions, and other revenue.

Component Units

The State's college and university foundations financed construction projects through the issuance of notes payable in prior fiscal years. Foundation notes are secured by pledges to the building campaign.

Note debt service requirements to maturity are as follows (*dollars in thousands*):

	Primary Government									
	Governmental Activities				Business-Type Activities					
Fiscal Year Ending	Nonmajor Special Revenue		Internal Service		College and University		Loan		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	$9	$1	$89	$198	$1,807	$397	$1,675		$3,580	$596
2008	4		103	193	1,949	309	1,675		3,731	502
2009			119	188	1,096	241	1,675		2,890	429
2010			110	182	1,128	193	1,675		2,913	375
2011			127	176	1,139	144			1,266	320
2012 - 2016			943	749	2,198	313			3,141	1,062
2017 - 2021			1,611	418	267	6			1,878	424
2022 - 2026			653	31					653	31
Total	**$13**	**$1**	**$3,755**	**$2,135**	**$9,584**	**$1,603**	**$6,700**	**$0**	**$20,052**	**$3,739**
Interest Rate	4.98%		4.14% to 5.34%		3.90% to 6.16%		0.00%			

	Discretely Presented Component Unit	
Fiscal Year Ending	College and University Foundation	
June 30	Principal	Interest
2007	$2,650	$60
Total	**$2,650**	**$60**
Interest Rate	4.03%	

E. Claims and Judgments

Primary Government

Claims and judgments are payable on behalf of the State and its agencies for various legal proceedings and claims. In general, the State records liabilities for material claims and judgments when they are considered probable and estimable. The State recorded the following claims and judgments as of June 30, 2006:

The Idaho Transportation Department experienced contractor claims for reimbursement of additional expenses incurred for the performance of construction contract requirements. The State recorded a liability of $2.5 million.

The Department of Environmental Quality entered into a contract with the Environmental Protection Agency (EPA) in April 1995 for the purpose of environmental remediation within the Bunker Hill Superfund Site. Federal Superfund law requires the State to match 10 percent of federal funds spent on actual remediation work and the State to meet all costs of future site operational and maintenance costs. The April 2006 amended remediation cost estimate was $150.0 million; the State's share was $15.0 million. The State has expended $13.3 million toward the required match, leaving a liability of $1.7 million. The work is estimated to be completed in calendar year 2007. The State anticipates 1,000 acres of unremediated land will be transferred to the State. The land's value has not been established but is estimated to be insignificant due to the poor access, topography, and unremediated condition of the land.

In August 2002 the federal government, Idaho, Washington, and tribal officials signed a memorandum of agreement to create the Coeur d'Alene Basin Commission that will direct clean up of the Coeur d'Alene Basin in Idaho. The EPA issued a record of decision in September 2002. The State and federal government signed the Coeur d'Alene Basin Superfund contract on October 2, 2003. The current estimate of the remediation cost is $355.0 million; Idaho's share is $32.4 million. The State has expended $2.2 million toward the required match, leaving a liability of $30.2 million. Washington State will match the remainder of the liability. The present value of operational and maintenance cost is estimated at $41.0 million. Work began in 2003 and will take 30 years to complete. Environmental liability estimates are subject to amendment. The State does not anticipate any recovery from other parties for the Coeur d'Alene Basin project.

Discretely Presented Component Units

The Petroleum Clean Water Trust Fund had policy claim liabilities of $7.2 million for unpaid losses and loss adjustments.

The Idaho Individual High-Risk Reinsurance Pool and the Idaho Small Employer Reinsurance Program had policy claim liabilities of $2.2 million for unpaid claims.

F. Changes in Long-Term Liabilities

The changes in long-term liabilities for the fiscal year ended June 30, 2006, are summarized as follows *(dollars in thousands):*

Long-Term Liabilities	Balances at July 1, 2005 As Restated	Increases	Reductions	Balances at June 30, 2006	Amounts Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds	$205,510	$10,790	($8,755)	$207,545	$9,015
Premiums/Discounts/Other	(2,443)	(23)	124	(2,342)	
Total Bonds Payable	203,067	10,767	(8,631)	205,203	9,015
Capital Leases	9,428	5,782	(1,281)	13,929	1,079
Compensated Absences	112,155	59,605	(51,921)	119,839	47,397
Policy Claim Liabilities	37,263	2,738	(6,127)	33,874	6,542
Claims and Judgments	36,990	770	(3,274)	34,486	2,762
Notes Payable	22	3,859	(113)	3,768	98
Due to Component Unit	1,167		(1,167)	0	
Net Pension Obligation	621	450		1,071	
Total Governmental Activity	**$400,713**	**$83,971**	**($72,514)**	**$412,170**	**$66,893**
Business-Type Activities:					
Revenue Bonds	$325,388	$5,340	($15,453)	$315,275	$12,180
Premiums/Discounts	4,447		(414)	4,033	(59)
Total Bonds Payable	329,835	5,340	(15,867)	319,308	12,121
Capital Leases	1,450	639	(380)	1,709	422
Capital Leases to Component Unit	3,657		(235)	3,422	250
Compensated Absences	16,814	16,908	(16,736)	16,986	16,986
Notes Payable	17,104	1,995	(2,815)	16,284	3,482
Total Business-Type Activity	**$368,860**	**$24,882**	**($36,033)**	**$357,709**	**$33,261**
Discretely Presented Component Units:					
Revenue Bonds	$1,270,315	$391,755	($280,005)	$1,382,065	$116,835
Premiums/Discounts	645	81	(4)	722	
Total Bonds Payable	1,270,960	391,836	(280,009)	1,382,787	116,835
Policy Claim Liabilities	9,607	7,458	(7,667)	9,398	4,350
Notes Payable	10,472		(7,822)	2,650	2,650
Total Component Unit Activity	**$1,291,039**	**$399,294**	**($295,498)**	**$1,394,835**	**$123,835**

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end $0.7 million of compensated absences, $33.9 million of policy claim liabilities, and $0.3 million of capital leases were included in the above amounts for internal service fund liabilities.

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund, special revenue, and internal service funds. In the past approximately 38.8 percent has been paid by the General Fund, 59.8 percent by special revenue funds, and the remainder by internal service funds. Primarily the same funds that have been used in prior years will be used to liquidate the following other governmental activity long-term liabilities: policy claim liabilities will be liquidated through the State's Group Insurance and Risk Management funds; claims and judgments will be liquidated by the Transportation special revenue fund and nonmajor special revenue funds.

G. Conduit Debt

Primary Government

The Idaho Water Resource Board, a separate entity established by *Idaho Code* within the Department of Water Resources, has outstanding Water Resource Development Revenue Bonds for the promotion, construction, rehabilitation, and repair of water projects. The bonds are secured by the property financed and are payable solely from revenue of the projects. Upon payment of the bonds, ownership of the acquired facilities transfers to the entity served by the bond issuance. Such bonds do not constitute a debt or obligation of the State or any political subdivision, agency thereof, or of the Board except to the extent of the revenues pledged under the indenture. Accordingly, these bonds are not reported in the accompanying financial statements. As of June 30, 2006, seven series of Water Resource Bonds that qualified as conduit debt are outstanding with an aggregate principal amount payable of $85.5 million.

Discretely Presented Component Unit

The Idaho Housing and Finance Association has outstanding bonds to provide financial assistance to entities for the construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying investments. Upon repayment of the bonds, ownership of the constructed facilities transfers to the individuals served by the bond issuance. The Association is not obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as Association liabilities. As of June 30, 2006, seventeen series of bonds that meet the description of conduit debt obligations are outstanding with an aggregate principal amount payable of $47.4 million.

NOTE 13. FUND EQUITY

A. Restatement of Beginning Fund Balances and Net Assets

During fiscal year 2006 additional information became available that required the restatement of the beginning fund balances or net assets for the following funds:

The General Fund beginning fund balance decreased by $35.5 million due to the recording of additional sales tax distributions payable to cities and counties.

The General Services internal service fund beginning net assets increased by $9.8 million as a result of capitalizing a building acquired in prior years.

The government-wide Statement of Activities beginning net asset balance includes the above adjustments in the Governmental Activities column. In addition the beginning net asset balance decreased by $69.1 million due to a change in accounting for sick leave balances reserved for retiree health insurance.

The College and University beginning net assets decreased by $4.9 million due to an adjustment to student fees receivable.

The Idaho Individual High Risk Reinsurance Pool and the Idaho Small Employer Health Reinsurance Program were included as a discretely presented component unit, the Health Reinsurance fund. Although the Health Reinsurance fund does not report net assets, component unit assets and liabilities were increased.

The Idaho Bond Bank Authority was included as a discretely presented component unit, which increased component unit beginning net assets by $49,000.

B. Net Assets Restricted by Enabling Legislation

Net assets are reported as restricted when constraints are placed on net asset use by external parties such as creditors, grantors, contributors, or other governments; or by state law through constitutional provisions or enabling legislation. Enabling legislation authorizes the state to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel the State to honor.

At June 30, 2006, the government-wide Statement of Net Assets reported $1.4 billion of restricted net assets for governmental activities and $720.7 million of restricted net assets for business-type activities. These amounts include $232.5 million of net assets restricted

by enabling legislation for governmental activities and $167.2 million of net assets restricted by enabling legislation for business-type activities.

C. Designated Governmental Fund Balances

Designated fund balances are included in the Unreserved Fund Balances reported on the governmental fund balance sheet. Designations represent management's tentative self-imposed decisions about the future use of unreserved fund balances. Designated fund balances for the year ended June 30, 2006, include the following:

General Fund: $74,700 for parks and recreation capital projects.

Nonmajor Special Revenue Funds: $118,924 for training programs, $5.8 million for air quality and environmental remediation projects, $420,400 for computer hardware and support, and $5.8 million for parks and recreation capital projects.

NOTE 14. LITIGATION, CONTINGENCIES, AND COMMITMENTS

A. Litigation and Contingencies

At June 30, 2006, litigation and contingencies consist of the following:

Primary Government

In *ISEEO, et al. v. Evans, et al.,* the plaintiffs allege that the current public school system does not provide a thorough education as required by the *Idaho Constitution*. Plaintiffs allege that approximately $700.0 million to $1.0 billion in construction expenditures will be needed to bring public schools up to standards. The case has been dismissed three times by the district court and appealed three times to the Idaho Supreme Court. The Supreme Court has remanded the case back to the district court, each time providing additional directions. Following the third remand the district court determined that the funding system did not provide constitutionally adequate facilities in some circumstances and indicated the court would take remedial action if the Legislature did not address the court's concerns. The district court certified that decision for appeal to the Idaho Supreme Court. The Idaho State Supreme Court determined that the system as it existed in 2000 was unconstitutional and that it was up to the Legislature to determine an appropriate remedy. The parties currently disagree as to whether the case is over or whether the district court may evaluate the adequacy of legislative actions taken since 2000 and consider additional remedies. If the plaintiffs were ultimately successful in requiring additional legislative action, the Legislature would be required to address the judgment by raising additional state revenue, reallocating state revenue, or providing the districts the means to obtain additional revenue at the local level.

Idaho Code, Section 33-5303, requires the State to guarantee the bonds of any school district qualified by the State Treasurer. *Idaho Code*, Section 67-8716, requires the State to guarantee the bonds of any municipality qualified by the State Treasurer. If the State is required to make the bond payment of any school district or municipality, the State will redirect distributions normally made to the school district or municipality to reimburse the State. As of June 30, 2006, the principal amount of qualified bonds outstanding to school districts is $635.7 million and the interest amount outstanding is $210.5 million; the principal amount of qualified bonds outstanding to municipalities is $28.5 million and the interest amount outstanding is $14.3 million.

In November 1998 a Master Settlement Agreement was reached between the five largest tobacco manufacturers and 46 states. Under the terms of the Agreement, the State of Idaho anticipates receiving annual payments in perpetuity, subject to numerous adjustments. The State received cash payments of $21.3 million during fiscal year 2006. A number of tobacco manufacturers commenced litigation against Idaho and other states alleging that the states have not diligently enforced the Master Settlement Agreement. While Idaho believes the allegations regarding Idaho enforcement are without merit, the litigation threatens this income stream with respect to such payments.

The Idaho Transportation Department faces a potential liability of $7.2 million for unpaid contractual claims. A probable cost of $2.5 million has been recognized as a liability with a remaining contingent liability of $4.7 million.

Shoshone-Bannock Tribes v. Idaho State Tax Commission is a tribal claim for a refund of motor fuels taxes in excess of $6.0 million. The tribe claims it is entitled to refunds of motor fuels tax collected on fuel

sold to tribal retailers during years prior to the Idaho Supreme Court decision in *Goodman Oil Co. of Lewiston v. Idaho State Tax Com'n*, 136 Idaho 53 (2001).

The State Tax Commission is currently considering an administrative refund claim by a financial institution for $2.7 million involving the proper sourcing of intangibles for the sales factor and the property factor used to allocate income to Idaho. The identity of the taxpayer is confidential pursuant to state law.

Abbott, et al v. Sombke is a federal action filed by Idaho Department of Correction inmates, which seeks class action monetary and injunctive relief. Plaintiffs claim they received constitutionally inadequate mental health treatment. Plaintiffs allege violations of the Eighth Amendment of the *U.S. Constitution* and violations of the Americans with Disabilities Act. The State will vigorously defend against the allegations. However, if unsuccessful, the State could be exposed to monetary damages and the costs of any programmatic changes that might be ordered.

The State is also a defendant in numerous legal proceedings pertaining to matters incidental to the performance of governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of state and federal laws. It is not possible at the present time to estimate the ultimate outcome or liability, if any, of the State in respect to the various proceedings. However, it is believed that any ultimate liability resulting from these suits will not have a material effect on the financial condition of the State.

Revenue from federal grants includes amounts for the recovery of overhead and other costs. The State may be required to make refunds of federal reimbursements as a result of audits. The opinion of the State is that these refunds, if any, will not have a significant effect on the financial position of the State.

Discretely Presented Component Unit

The Idaho Life and Health Insurance Guaranty Association has not assessed or accrued for all potential reinsurance or claim liabilities for certain insolvent insurers. The total liability relating to these insolvencies is not yet determined. However, management's best estimate of future unrecorded reinsurance liability at this time is $3.4 million for Executive Life. Assessments for the liabilities will be made in future periods as amounts become due, if necessary.

B. Commitments

At June 30, 2006, commitments consist of the following:

Primary Government

The Public Employee Retirement System has a total of $480.3 million in outstanding commitments for investments to private equity partnerships and a private real estate joint venture.

The Department of Administration has a total of $304.1 million in outstanding commitments for capital asset related construction projects underway at year-end.

The Idaho Transportation Department (ITD) has a total of $183.8 million in outstanding commitments for infrastructure and $0.8 million for other capital asset related construction projects underway at year-end. In addition, the ITD has a commitment to repay Idaho Housing and Finance Association $194.3 million in principal and $91.9 million in interest related to Grant Anticipation Revenue Vehicles or GARVEE Bonds for construction costs to improve and enhance the State's highway infrastructure.

The colleges and universities estimate costs of $63.2 million to complete a variety of capital asset related construction projects underway at year-end.

The Department of Environmental Quality (DEQ) administers two revolving loan funds. The funds provide a financing source for the construction of publicly owned wastewater and drinking water treatment facilities. As of June 30, 2006, the Clean Water Loan fund had loan commitments of $45.3 million that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. The Drinking Water Loan fund had $25.6 million of loan commitments that are funded with approximately 80 percent federal funds and 20 percent state matching dollars. DEQ also has committed to various contracts addressing pollution remediation, best management practice implementation, and other environmental projects totaling $4.7 million.

The Department of Correction has a contract with Correctional Corporation of America to operate a 1,250 plus bed prison. The contract expires June 30, 2009. The estimated cost for fiscal year 2007 is $19.6 million. The Department has a contract until July 12, 2008, with Correctional Medical Services, Inc., to provide medical services for inmates. The estimated cost for fiscal year 2007 is approximately $17.9 million.

The Department of Juvenile Corrections contracts with various private juvenile placement providers for care and rehabilitation services. Contract daily rates range from $90 to $360 per day. The estimated cost for fiscal year 2007 is $11.9 million.

The Department of Parks and Recreation (IDPR) is a party in a land sale contract with a promise to pay $3.6 million to the Nature Conservancy. Currently the IDPR has approximately $1.3 million in equity. In the event payment is not made, IDPR and the Nature Conservancy will hold undivided ownership interest in the real property. IDPR has a total of $8.0 million in outstanding commitments for capital asset related construction projects underway at year-end.

The Dairy Products Commission annually commits to participate in a national advertising pool administered by Dairy Management, Inc. By contractual agreement, the Commission's 2006 advertising pool commitment will not exceed $7.1 million.

The State Board of Education has contracts for a total of $4.8 million with vendors that will provide test and assessment services and computerized instruction to K-12 students.

The State Lottery contracted with GTECH, Inc., through February 18, 2007, to pay 2.99 percent of gross, weekly on-line ticket sales; $16,000 per week; $75 per instant ticket vending machine placed in service per month for ongoing facilities management services; $10,000 per week for license fees; $96 per wireless system per month; and a $250 installation fee per system.

Discretely Presented Component Unit

Idaho Housing and Finance Association has commitments to purchase $3.4 million of single-family mortgages.

NOTE 15. SUBSEQUENT EVENTS

Subsequent to June 30, 2006, the following events occurred:

Primary Government

On June 21, 2006, the Idaho State Building Authority received $5.2 million from the U.S. Forest Service for the purchase of condominium units at the Idaho Water Center in Boise. The sale was reported in the fiscal year ended June 30, 2006. In August 2006 the proceeds were applied to defease a portion of the Authority's Series 2003B bonds.

On July 5, 2006, the Office of the State Treasurer issued Tax Anticipation Notes in the amount of $100.0 million. The Notes were issued to cover temporary cash flow shortfalls and to finance the State's daily operations in anticipation of certain tax revenues of the State to be collected during the fourth quarter of the 2007 fiscal year. The Notes mature on June 29, 2007.

On August 14, 2006, the Idaho State Lottery signed a contract with INTRALOT, Inc., to provide on-line gaming services, communications, and administrative support. INTRALOT will begin providing services when the current on-line service contract with GTECH, Inc., expires on February 18, 2007. The contract will run through February 28, 2014, with an option for the Lottery to extend the contract for up to three more years. The new contract will provide two distinct financial benefits to the Lottery. First, the effective percentage-of-sale compensation rate is lower than the current contract with GTECH. Secondly, INTRALOT will provide and maintain an administrative computer system, which will eliminate the need for the Lottery to replace and maintain much of its existing computer hardware and software, as well as allow for the elimination of three Lottery positions.

On August 25, 2006, the Legislature met for an extraordinary legislative session and passed the Governor's Property Tax Relief Act of 2006. This Act raised sales tax 1 percent from 5 percent to 6 percent, effective October 1, 2006. The increase in sales tax is intended to replace the loss of revenue to public education due to the Act's simultaneous elimination of the education maintenance and operation tax levy on Idaho real property. An advisory vote was placed on the November 7, 2006, ballot asking voters if the State of Idaho should keep the property tax relief adopted by the session. Voters supported the Act.

On September 27, 2006, the Idaho State Building Authority issued revenue bonds in the amount of $127.8 million for the Idaho State Capitol Building Project. House Concurrent Resolution No. 47, approved by the 2006 Legislature, authorized the Department of Administration to enter into agreements with the Idaho

State Building Authority to finance renovation of the Capitol Building and the addition of two underground wings to the east and west ends of the building.

Discretely Presented Component Unit

On July 27, 2006, the Idaho Housing and Finance Association issued Single-Family Mortgage Bonds 2006 Series D in the amount of $35.0 million. On September 14, 2006, the Association issued Single-Family Mortgage Bonds 2006 Series E in the amount of $35.0 million. On November 9, 2006, the Association issued Single-Family Mortgage Bonds 2006 Series F in the amount of $35.0 million. Write-offs related to the Association's July 1, 2006, bond redemptions were $1.0 million.

On September 15, 2006, Thelma E. Stephens, a major contributor to the Idaho State University Foundation for the construction of the L.E. and Thelma E. Stephens Performing Arts Center, passed away. Her death results in the maturing of a pledge of nearly $10.0 million that will be used to redeem a portion of the Foundation's multi-mode, variable rate revenue bonds.

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THE STATE OF IDAHO

Required Supplementary Information

Randy Miller - Muralist

Randy Miller grew up in Mountain Home, Idaho, and went to college at the Art Institute of Seattle. After receiving a degree in Visual Communications, he lived in Seattle for 10 years before moving back to Mountain Home with his wife and three children. Randy worked for a company painting portraits for tombstones and worked as a freelance illustrator designing logos, illustrations, graphic art, portraits, and custom artwork.

Later on, while his main source of income was derived from painting houses, Randy continued to look for a way to get back to his love of art. Randy's experience as a house painter led him to start his own painting company, which allowed him to incorporate mural art and faux painting. Randy enjoys painting *trompe l'oeil* illusions and creating fun and interesting murals. Trompe l'oeil is French for "trick the eye." It is an art technique involving extremely realistic imagery in order to create the optical illusion that the depicted objects really exist. Randy pays close attention to what his customers are looking for and uses the style they have in mind. "I like to get to know my customer and get a feeling of what they are about and try to use that in my painting."



The first public mural Randy painted was at the Carpet Shoppe in Mountain Home, which was also his first experiment with trompe l'oeil. The mural is an illusion of a hole in the wall and images of what might be seen inside the store. He painted hidden objects such as a bat in the attic and a mouse in the gutter. Randy also used the "resident town dog" in his painting, much to the delight of the community.

Describing a mural advertising the Rost Funeral Home, Randy says, "It's more than a sign. It's a piece of artwork. People appreciate a piece of artwork more than a sign."

One of Randy's goals is to color the town and liven it up. He believes his murals will help to draw people into Mountain Home and will provide more business to local store owners.

By far his largest piece, the Napa Auto Parts building's mural spans 49' x 8'. It showcases the history of Mountain Home and features Commodore Jackson, who originally started the city. Some of the other murals publicly displayed in the city include a beautiful mural depicting the Basque culture of Idaho, a pharmacy storefront, two appliance shops, a carpet store, and a bowling alley.

Before Randy discovered murals, he was an artist searching for a niche. He definitely found it in his enthusiasm for designing murals. Randy enjoys painting murals for both private residences and businesses in Mountain Home. An ambitious artist, Randy has plans for many more murals in the city and encourages travelers to stop by and see them.

Photos courtesy of Randy Miller: http://web.mac.com/thinkq
Above: *Rost Funeral Home*
Below: *Napa Auto Parts*



Required Supplementary Information
Budgetary Comparison Schedule
General Fund and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

(dollars in thousands)

	General			
	Original Budget	**Final Budget**	**Actual Amounts Budgetary Basis**	**Variance with Final Budget**
REVENUES				
Sales Tax	$1,066,453	$1,066,453	$1,066,453	-
Individual and Corporate Taxes	1,637,094	1,637,094	1,637,094	-
Other Taxes	62,772	62,772	62,772	-
Licenses, Permits, and Fees	16,812	16,812	16,812	-
Sale of Goods and Services	30,468	30,468	30,468	-
Grants and Contributions	2,845	2,845	2,845	-
Investment Income	36,861	36,861	36,861	-
Tobacco Settlement	21,253	21,253	21,253	-
Other Income	9,238	9,238	9,238	-
Total Revenues	2,883,796	2,883,796	2,883,796	-
EXPENDITURES				
General Government	632,078	637,149	598,529	$38,620
Public Safety and Correction	204,506	214,780	210,760	4,020
Health and Human Services	28,802	28,802	28,802	-
Education	1,466,125	1,470,185	1,444,449	25,736
Economic Development	26,635	26,205	21,937	4,268
Natural Resources	35,713	47,401	34,475	12,926
Total Expenditures	$2,393,859	$2,424,522	2,338,952	$85,570
Revenues Over (Under) Expenditures			544,844	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			104	
Transfers In			130,406	
Transfers Out			(759,776)	
Total Other Financing Sources (Uses)			(629,266)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(84,422)	
Reconciling Items				
Changes Affected by Accrued Revenues			(164,094)	
Changes Affected by Accrued Expenditures			497,025	
Fund Balances - Beginning of Year, As Restated			537,540	
Fund Balances - End of Year			$786,049	

The accompanying note is an integral part of this financial schedule.

Health and Welfare				Transportation			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$1,722	$1,722	$1,722	-	$214,666	$214,666	$214,666	-
3,853	3,853	3,853	-	113,518	113,518	113,518	-
75,931	75,931	75,931	-	3,645	3,645	3,645	-
1,024,034	1,024,034	1,024,034	-	264,796	264,796	264,796	-
408	408	408	-	3,981	3,981	3,981	-
3,324	3,324	3,324	-	270	270	270	-
1,109,272	1,109,272	1,109,272	-	600,876	600,876	600,876	-
1,615,865	1,606,182	1,564,832	$41,350				
				725,102	732,422	612,035	$120,387
$1,615,865	$1,606,182	1,564,832	$41,350	$725,102	$732,422	612,035	$120,387
		(455,560)				(11,159)	
		260				6,930	
		467,678					
		(198)				(15,796)	
		467,740				(8,866)	
		12,180				(20,025)	
		74,729				10,159	
		(87,148)				(5,833)	
		2,547				120,927	
		$2,308				$105,228	

The accompanying note is an integral part of this financial schedule.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

Budgetary Process and Control

Budgets are adopted in accordance with *Idaho Code*, Title 67, Chapter 35. In September of each year, state agencies submit requests for appropriations to the Governor's Office, Division of Financial Management (DFM), so an executive budget may be prepared. The budget is generally prepared by agency, fund, program, and object and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. Legal level of budgetary control is maintained at the same level of detail as appropriated. Appropriated funds include the General Fund, special revenue funds, enterprise funds, internal service funds, earnings of the permanent funds, and pension trust funds. The appropriated funds are either appropriated annually or on a continuous basis. For those funds appropriated on a continuous basis appropriation equals expenditures, which can be made to the extent of available cash. Unexpended appropriation balances generally lapse at fiscal year-end unless reappropriated by the Legislature.

The Governor's budget recommendations are presented to the Legislature within the first five days of each regular legislative session, which begins in January. The Joint Finance and Appropriations Committee reviews the Governor's recommended budget, makes amendments, and prepares the annual appropriation bills for submission to both houses of the Legislature. A simple majority vote by both houses of the Legislature is required to pass the appropriation bills. The appropriation bills become the State's authorized operating budget upon the Governor's signature, or if allowed, become law without the Governor's signature.

Agencies may request additional appropriations for the current year, which may be granted under authority of the Legislature. If expenditures are expected to exceed available cash, the State Board of Examiners (SBE) may authorize reduction of a portion of the General Fund appropriation. The Governor may issue an executive order for temporary reduction of spending authority, which is recorded in the accounting system as a negative supplemental appropriation.

Limitations exist regarding the extent to which management may modify an appropriation. At no time, without legislative authority, may an appropriation be transferred from one fund to another. The following adjustments may be made, with the appropriate approval:

Idaho Code, Section 67-3511(1), allows agencies to transfer spending authority between objects within a fund and program, with the exception of personnel costs. Appropriations for personnel costs may be transferred to other objects, but appropriations for other costs may not be transferred to personnel. Per *Idaho Code*, Section 67-3511(3), appropriations for capital outlay may not be used for any other purpose, but appropriations for other objects may be transferred to capital outlay. The SBE must approve object transfers.

Idaho Code, Section 67-3511(2), allows agencies to transfer spending authority from one program to another within an agency, provided the transfer is not more than 10 percent cumulative change from the appropriated amount for any program affected by the transfer. DFM and the SBE must approve these transfers. The Legislature must approve transfers above 10 percent cumulative change.

Should any change occur that is not within the described limitations, legal compliance is not achieved.

Budgetary Basis of Accounting

The State's legal budget is prepared using cash basis records. Revenues are generally recognized when cash is received. Expenditures are recorded when the related cash disbursement occurs. Encumbrances are allowed for budgetary control purposes. Fund balances are reserved for obligations incurred for goods or services that have not been received. Encumbrances may be carried over to the next fiscal year with the approval of the DFM. The Budgetary Comparison Schedule is prepared on the budgetary basis and includes this variation from generally accepted accounting principles. The reconciliation at the bottom of the budget and actual schedule shows the difference between the budgetary basis and GAAP.

The State does not adopt a revenue budget. For financial reporting purposes, the budget and actual schedule reflects budgeted revenues as being equal to actual revenues.

The State issues a separate Legal Basis Financial Report, which demonstrates legal compliance with the budget. A copy of this report may be obtained by contacting the Office of the State Controller, P.O. Box 83720, Boise, Idaho, 83720, or may be viewed online at www.sco.idaho.gov. Look under "Accounting," and then "Financial Reports and Public Information."

INFRASTRUCTURE – MODIFIED APPROACH REPORTING

Under GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, governments are allowed an alternative to depreciation for their infrastructure assets, referred to as the modified approach. Using the modified approach, governments report maintenance and preservation expenses and do not report depreciation expense on qualifying assets. In order to use the modified approach, the government must manage the infrastructure assets using an asset management system and maintain those assets at established condition levels. The asset management system must meet the following requirements:

- Maintain an up-to-date inventory of eligible infrastructure assets,
- Perform condition assessments of eligible assets and summarize the results using a measurement scale,
- Annually estimate the cost to maintain and preserve the assets at the condition level established, and
- Document the condition level at which the assets are being actually preserved and maintained.

The State of Idaho has chosen to use the modified approach in reporting the roadway network, which consists of approximately 11,874 lane miles.

Measurement Scale

The Idaho Transportation Department (ITD) determines the condition of the State's roadway surfaces by use of the Pavement Management System. The roadway surface condition is determined using two pavement-condition data elements, road roughness and pavement distress, collected as follows:

Road Roughness is a primary indicator of pavement serviceability or the ability of a pavement to meet the demands and expectations of motorists. In Idaho, the public's perception of the state highway system is very important. For that reason, a roughness index (RI) was adopted that correlates the longitudinal profile of the road surface to an index based upon the public's perception of road roughness. The RI ranges from 0.0 (extremely rough) to 5.0 (smooth).

A South Dakota-type profilometer is currently used by ITD to measure pavement roughness. This instrument uses laser sensors and personal computers and is mounted in a vehicle that travels at normal speeds and collects and stores road-profile information at one-foot intervals. Longitudinal profiles of all pavement management sections (PMS) statewide are obtained annually.

Pavement Distress (Cracking) is another important indicator of pavement condition. The video-inspection vehicle used to collect profile information also collects pavement video of the entire state highway system each year. The pavement management engineer then uses this video or actual field observations to determine the type, extent, and severity of cracking within each PMS. Based upon this input, a cracking index (CI) is calculated for each section. The CI is a rating very similar to the RI with 5.0 corresponding to a section with little or no cracking and 0.0 representing a section with severe cracking.

Pavement surface condition assessment is dependent upon functional classification and is divided into two categories: interstates and arterials, and collectors. Pavement surface condition is determined by applying the lower of the CI or RI to the measurement ranges shown in the following table:

Pavement Condition	Interstates and Arterials	Collectors
	Lower Index of Cracking (CI) or Roughness (RI)	
Good	(CI or RI) > 3.0	(CI or RI) > 3.0
Fair	$\geq$ 2.5 (CI or RI) $\leq$ 3.0	$\geq$ 2.0 (CI or RI) $\leq$ 3.0
Poor	$\geq$ 2.0 (CI or RI) < 2.5	$\geq$ 1.5 (CI or RI) < 2.0
Very Poor	(CI or RI) < 2.0	(CI or RI) < 1.5

Established Condition Level

The ITD has established the condition level that no more than 18 percent of pavement shall be in poor or very poor condition. In fiscal year 2005 the assessed level was maintained at 19 percent. Idaho has seen a dramatic increase in the cost of construction materials, which limits the amount of pavement restoration that can be accomplished with the same funding.

Assessed Condition Ratings of State Roadways

Most Recent Five Complete Condition Assessments
Percent of Total Lane Miles per Pavement Condition

	2005		2004		2003		2002		2001	
Good	7,364	62%	7,154	60%	7,196	61%	7,267	61%	7,094	60%
Fair	2,244	19%	2,453	21%	2,691	23%	2,801	24%	2,610	22%
Poor	1,772	15%	1,735	15%	1,435	12%	1,170	10%	1,255	11%
Very Poor	494	4%	510	4%	497	4%	593	5%	820	7%
Total Lane Miles	**11,874**	**100%**	**11,852**	**100%**	**11,819**	**100%**	**11,831**	**100%**	**11,779**	**100%**

Estimated and Actual Costs to Maintain

The information below reflects the State's estimate of spending necessary to reserve and maintain the roads at, or above, the established condition level, and the actual amount spent during the past six fiscal years (*dollars in thousands):*

	FY2007	FY2006	FY2005	FY2004	FY2003	FY2002	FY2001
Estimated	$88,200	$69,200	$67,156	$65,200	$63,922	$62,000	$61,544
Actual		69,502	79,310	81,058	78,133	57,260	68,278

Actual costs exceeded estimated costs in fiscal year 2006 by 0.4 percent.

PENSION

Schedule of Funding Progress – Judges' Retirement Fund (*dollars in thousands*):

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1) : (2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) : (5)
6/30/04	$51,006	$59,453	$8,447	85.8%	$4,799	176
6/30/05	54,036	61,548	7,512	87.8%	4,799	157
6/30/06	57,836	64,529	6,693	89.6%	5,297	126

Combining Financial Statements

Susan Elcox - Rug Hooking Artist

Born and raised in Boise, Idaho, Susan Elcox has lived in the West for most of her life, the exceptions being her college years and early marketing career spent in Oregon and Germany. She recently moved back to Boise after a 16-year tenure in Garden Valley, Idaho. Susan has been married for 20 years to her husband, Brian. She has four adult stepchildren, multiple step grandchildren, and a Cavalier King Charles Spaniel.



Art was not a fun subject in Susan's school years. Looking back, she believes it was because she was not inspired by the subject matters presented and the method by which they were introduced. Since early childhood, she had an affinity for fiber related activities, particularly those involving yarns or threads such as crocheting, knitting, cross-stitch, and needlepoint. In rug hooking, Susan has been able to combine her first love of fiber with some hidden artistic abilities she discovered in her 30s.

Susan first became interested in rug hooking "after reading an article about a rug hooking artist (Claire Murray) and her works in *Better Homes and Gardens* magazine. I just had to investigate how to do that! After reading a few books checked out from the Boise Public Library, I was on my way." Following learning to hook in 1990, she decided to attend a one-week rug camp in Oregon. Becoming "hooked," Susan decided she needed to learn a few basic drawing skills, so she enrolled in a series of private lessons with an emphasis on drawing and oil painting.

In Grandmother's Garden (right) is an adaptation of an oil painting by Marie-Francois Firmin-Girard in 1875. Susan was inspired to do this piece as an exploration of Victorian art and Impressionism. She wrote an article for *Rug Hooking Magazine* that featured this piece and several other artists' pieces with educational information regarding the style. *In Grandmother's Garden* has also won a variety of awards, including First Place and Best of Show at the 2000 Western Idaho Fair and was selected for *Rug Hooking Magazine*'s *Celebrations XI*, in which the piece was featured on the cover.



Idaho State Capitol at Dusk (left) won First Place and Best of Show at the 2005 Western Idaho Fair and was featured as an Honorable Mention in *Celebrations XVI*, published by *Rug Hooking Magazine* in the fall of 2006. This publication is broadly viewed as a compilation of the best rug hooking produced each year. In the summer of 2006, the piece was also selected to show in the *Fifth Annual Art Source Gallery Juried Art Exhibit* in Boise.

Susan has devoted many hours of her life to rug hooking. She enjoys instructing new artists, hosting workshops and seminars, teaching art education at elementary schools, and teaching rug hooking each fall through the Boise Parks and Recreation Department. While Susan also sells rug hooking supplies, her current focus is on exhibitions, selling her artwork, and commissions.

Photos courtesy of Susan Elcox: www.newworldrughooking.com
Left: *Idaho State Capitol at Dusk*: 2005 (100% hand-dyed wool on Scotch Burlap, measuring 33" x 28")
Right: *In Grandmother's Garden:* 2000 (100% wool #3 on Scotch Burlap, measuring 13.5" x 20")

GREAT SEAL OF
ESTO PERPETUA
THE STATE OF IDAHO

NONMAJOR SPECIAL REVENUE FUNDS account for specific revenues designated to finance specific functions of government. The following provides a brief description of the nonmajor special revenue funds.

The AGRICULTURE AND NATURAL RESOURCES FUND accounts for the financial position and operations associated with the maintenance, preservation, and regulation of the State's parks, water, air, and agricultural resources. Funding is provided by dedicated user fees, the sale of goods and services, federal grants, and various other sources.

The REGULATORY FUND accounts for the financial position and operations associated with various professional licensing and monitoring functions. The major sources of funding are taxes and license fees.

The FISH AND GAME FUND accounts for the financial position and operations associated with enforcing and administering the fish and game laws in Idaho and to perpetuate and manage the State's wildlife resources. The major sources of funding are dedicated user fees and federal grants.

The FEDERAL FUND accounts for a portion of the financial position and operations associated with federal grants received by the State. Federal grants are also included in other funds of the State.

The MISCELLANEOUS FUND accounts for the financial position and operations associated with general government services where the major sources of funding are provided by the sale of goods and services, miscellaneous taxes, and other revenues.

The BUILDING AUTHORITY accounts for the financial position and operations associated with the construction and financing of facilities, such as office buildings and parking garages to be used by the State. The major source of funding is provided by the sale of goods and services. The Building Authority is a blended component unit.

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2006
(dollars in thousands)

	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
ASSETS				
Cash with Treasurer	$48,207	$50,351	$4,790	$7,688
Cash and Cash Equivalents	4,618	1,045		
Investments	11,562	412	2,990	7,725
Accounts Receivable, Net	2,415	245	97	
Taxes Receivable, Net	1,466			
Interfund Receivables	1,150	18	191	
Due from Other Entities	3,415		5,987	21,353
Inventories and Prepaid Items	1,933	205	8,361	1,060
Loans and Notes Receivable, Net	7,202	46		
Other Assets	253	5	70	56
Restricted Assets:				
Cash and Cash Equivalents	9,720	414	4,828	4,598
Investments			6,822	
Total Assets	$91,941	$52,741	$34,136	$42,480
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$4,181	$185	$1,609	$6,296
Payroll and Related Liabilities	1,383	806	1,310	2,156
Interfund Payables	328	32	26	2,724
Due to Other Entities	4			
Deferred Revenue	2,667	2,359	66	4,099
Amounts Held in Trust for Others	2,502	221	5	
Other Accrued Liabilities	1,186	1,675	1,494	246
Total Liabilities	12,251	5,278	4,510	15,521
Fund Balances				
Reserved for:				
Bond Retirement				
Encumbrances	5,938	431	2,651	8,074
Inventories and Prepaid Items	1,933	205	8,361	1,060
Noncurrent Receivables	8,352	46		
Permanent Trusts			3,025	
Other Purposes	9,221	414	11,468	
Unreserved, Reported in:				
Special Revenue Funds	54,246	46,367	4,121	17,825
Total Fund Balances	79,690	47,463	29,626	26,959
Total Liabilities and Fund Balances	$91,941	$52,741	$34,136	$42,480

Miscellaneous	Building Authority	Total
$61,148		$172,184
50	$2,334	8,047
12,043		34,732
5,395		8,152
1,252		2,718
547		1,906
		30,755
922	26	12,507
		7,248
88	89	561
12,181	20,055	51,796
2,118	2,842	11,782
$95,744	$25,346	$342,388
$1,961	$300	$14,532
1,492		7,147
323		3,433
		4
4,177	6,935	20,303
6		2,734
267	1,533	6,401
8,226	8,768	54,554
	13,939	13,939
849		17,943
922	26	12,507
346		8,744
2,125		5,150
11,614		32,717
71,662	2,613	196,834
87,518	16,578	287,834
$95,744	$25,346	$342,388

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	Agriculture and Natural Resources	Regulatory	Fish and Game	Federal
REVENUES				
Sales Tax	$4,800			
Other Taxes	26,792	$75,394		
Licenses, Permits, and Fees	28,885	45,249	$34,726	$3
Sale of Goods and Services	5,015	1,191	109	404
Grants and Contributions	31,136	81	26,633	363,171
Investment Income	1,676	182	580	242
Other Income	2,257	624	5,795	224
Total Revenues	100,561	122,721	67,843	364,044
EXPENDITURES				
Current:				
General Government		5,657		35,613
Public Safety and Correction		2,566		8,816
Health and Human Services				
Education				205,040
Economic Development	33,410	42,962	100	56,192
Natural Resources	61,918	1,045	61,796	6,509
Capital Outlay	9,430	1,272	9,182	4,052
Intergovernmental Revenue Sharing	8,171			49,623
Debt Service:				
Principal Retirement	55		176	
Interest and Other Charges	19		274	
Total Expenditures	113,003	53,502	71,528	365,845
Revenues Over (Under) Expenditures	(12,442)	69,219	(3,685)	(1,801)
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Capital Lease Acquisitions			3,631	
Sale of Capital Assets	191	102	1,063	57
Transfers In	16,481			
Transfers Out	(3,073)	(65,010)	(137)	(1,203)
Total Other Financing Sources (Uses)	13,599	(64,908)	4,557	(1,146)
Net Change in Fund Balances	1,157	4,311	872	(2,947)
Fund Balances - Beginning of Year	78,533	43,152	28,754	29,906
Fund Balances - End of Year	$79,690	$47,463	$29,626	$26,959

Miscellaneous	Building Authority	Total
		$4,800
$23,676		125,862
13,564		122,427
27,863	$16,752	51,334
8,256	1,008	430,285
5,720	3,427	11,827
12,360		21,260
91,439	21,187	767,795
4,529	387	46,186
37,926		49,308
267		267
10,236		215,276
41,640		174,304
1,967		133,235
5,797	14,135	43,868
8,609		66,403
372	8,755	9,358
262	9,496	10,051
111,605	32,773	748,256
(20,166)	(11,586)	19,539
	10,790	10,790
	(23)	(23)
2,066		5,697
282	5,150	6,845
21,611		38,092
(802)		(70,225)
23,157	15,917	(8,824)
2,991	4,331	10,715
84,527	12,247	277,119
$87,518	$16,578	$287,834

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

(dollars in thousands)

	Agriculture and Natural Resources			
	Original Budget	**Final Budget**	**Actual Amounts Budgetary Basis**	**Variance with Final Budget**
REVENUES				
Sales Tax	$4,800	$4,800	$4,800	-
Other Taxes	27,103	27,103	27,103	-
Licenses, Permits, and Fees	29,136	29,136	29,136	-
Sale of Goods and Services	5,125	5,125	5,125	-
Grants and Contributions	31,306	31,306	31,306	-
Investment Income	1,973	1,973	1,973	-
Other Income	2,327	2,327	2,327	-
Total Revenues	101,770	101,770	101,770	-
EXPENDITURES				
General Government				
Public Safety and Correction	17	17	-	$17
Health and Human Services				
Education				
Economic Development	39,186	39,396	34,480	4,916
Natural Resources	104,017	124,377	80,262	44,115
Total Expenditures	$143,220	$163,790	114,742	$49,048
Revenues Over (Under) Expenditures			(12,972)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Capital Lease Acquisitions				
Sale of Capital Assets			191	
Transfers In			16,481	
Transfers Out			(3,073)	
Total Other Financing Sources (Uses)			13,599	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			627	
Reconciling Items				
Changes Affected by Accrued Revenues			(1,209)	
Changes Affected by Accrued Expenditures			1,739	
Fund Balances - Beginning of Year			78,533	
Fund Balances - End of Year			$79,690	

continued

Regulatory				Fish and Game			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$81,431	$81,431	$81,431	-				
46,190	46,190	46,190	-	$34,726	$34,726	$34,726	-
1,071	1,071	1,071	-	109	109	109	-
72	72	72	-	26,297	26,297	26,297	-
182	182	182	-	1,006	1,006	1,006	-
624	624	624	-	3,959	3,959	3,959	-
129,570	129,570	129,570	-	66,097	66,097	66,097	-
2,009	2,009	2,009	-				
3,217	3,232	2,653	$579				
				58	58	-	$58
49,165	49,943	46,526	3,417	100	100	100	-
2,242	2,253	1,101	1,152	79,063	83,175	70,067	13,108
$56,633	$57,437	52,289	$5,148	$79,221	$83,333	70,167	$13,166
		77,281				(4,070)	
						3,631	
		102				1,063	
		(65,010)				(137)	
		(64,908)				4,557	
		12,373				487	
		(6,849)				1,746	
		(1,213)				(1,361)	
		43,152				28,754	
		$47,463				$29,626	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

(dollars in thousands)

	Federal			
	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
REVENUES				
Sales Tax				
Other Taxes				
Licenses, Permits, and Fees	$3	$3	$3	-
Sale of Goods and Services	180	180	180	-
Grants and Contributions	375,254	375,254	375,254	-
Investment Income	587	587	587	-
Other Income	503	503	503	-
Total Revenues	376,527	376,527	376,527	-
EXPENDITURES				
General Government	64,551	79,006	60,726	$18,280
Public Safety and Correction	19,111	20,813	15,075	5,738
Health and Human Services				
Education	207,999	235,779	222,545	13,234
Economic Development	76,999	79,040	68,586	10,454
Natural Resources	18,429	22,836	15,005	7,831
Total Expenditures	$387,089	$437,474	381,937	$55,537
Revenues Over (Under) Expenditures			(5,410)	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued				
Discount on Bonds Issued				
Capital Lease Acquisitions				
Sale of Capital Assets			57	
Transfers In				
Transfers Out			(1,203)	
Total Other Financing Sources (Uses)			(1,146)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			(6,556)	
Reconciling Items				
Changes Affected by Accrued Revenues			(12,483)	
Changes Affected by Accrued Expenditures			16,092	
Fund Balances - Beginning of Year			29,906	
Fund Balances - End of Year			$26,959	

continued

Miscellaneous				Building Authority			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$17,993	$17,993	$17,993	-				
13,544	13,544	13,544	-				
21,591	21,591	21,591	-	$16,752	$16,752	$16,752	-
6,793	6,793	6,793	-	1,008	1,008	1,008	-
6,153	6,153	6,153	-	3,427	3,427	3,427	-
10,864	10,864	10,864	-				
76,938	76,938	76,938	-	21,187	21,187	21,187	-
5,416	6,443	5,030	$1,413	32,773	32,773	32,773	-
51,908	52,439	44,989	7,450				
267	267	267	-				
8,093	16,488	10,106	6,382				
48,676	51,802	47,010	4,792				
3,333	3,342	2,011	1,331				
$117,693	$130,781	109,413	$21,368	$32,773	$32,773	32,773	-
		(32,475)				(11,586)	
						10,790	
						(23)	
		2,066					
		282				5,150	
		21,611					
		(802)					
		23,157				15,917	
		(9,318)				4,331	
		14,501					
		(2,192)					
		84,527				$12,247	
		$87,518				$16,578	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2006

(dollars in thousands)

	Total			
	Original Budget	**Final Budget**	**Actual Amounts Budgetary Basis**	**Variance with Final Budget**
REVENUES				
Sales Tax	$4,800	$4,800	$4,800	-
Other Taxes	126,527	126,527	126,527	-
Licenses, Permits, and Fees	123,599	123,599	123,599	-
Sale of Goods and Services	44,828	44,828	44,828	-
Grants and Contributions	440,730	440,730	440,730	-
Investment Income	13,328	13,328	13,328	-
Other Income	18,277	18,277	18,277	-
Total Revenues	772,089	772,089	772,089	-
EXPENDITURES				
General Government	104,749	120,231	100,538	$19,693
Public Safety and Correction	74,253	76,501	62,717	13,784
Health and Human Services	267	267	267	-
Education	216,150	252,325	232,651	19,674
Economic Development	214,126	220,281	196,702	23,579
Natural Resources	207,084	235,983	168,446	67,537
Total Expenditures	$816,629	$905,588	761,321	$144,267
Revenues Over (Under) Expenditures			10,768	
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued			10,790	
Discount on Bonds Issued			(23)	
Capital Lease Acquisitions			5,697	
Sale of Capital Assets			6,845	
Transfers In			38,092	
Transfers Out			(70,225)	
Total Other Financing Sources (Uses)			(8,824)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			1,944	
Reconciling Items				
Changes Affected by Accrued Revenues			(4,294)	
Changes Affected by Accrued Expenditures			13,065	
Fund Balances - Beginning of Year			277,119	
Fund Balances - End of Year			$287,834	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Major Permanent Funds
For the Fiscal Year Ended June 30, 2006

(dollars in thousands) *continued*

	Public School Endowment			
	Original Budget	**Final Budget**	**Actual Amounts Budgetary Basis**	**Variance with Final Budget**
REVENUES				
Sale of Goods and Services	$46,399	$46,399	$46,399	-
Investment Income	62,769	62,769	62,769	-
Total Revenues	109,168	109,168	109,168	-
EXPENDITURES				
Natural Resources	15,276	15,350	13,601	$1,749
Total Expenditures	$15,276	$15,350	13,601	$1,749
Revenues Over (Under) Expenditures			95,567	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets			3,054	
Transfers In				
Transfers Out			(23,087)	
Total Other Financing Sources (Uses)			(20,033)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			75,534	
Reconciling Items				
Changes Affected by Accrued Expenditures			(107)	
Fund Balances - Beginning of Year			568,746	
Fund Balances - End of Year			$644,173	

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Major Permanent Funds
For the Fiscal Year Ended June 30, 2006

(dollars in thousands)

	Pooled Endowment			
	Original Budget	**Final Budget**	**Actual Amounts Budgetary Basis**	**Variance with Final Budget**
REVENUES				
Sale of Goods and Services	$22,415	$22,415	$22,415	-
Investment Income	30,288	30,288	30,288	-
Total Revenues	52,703	52,703	52,703	-
EXPENDITURES				
Natural Resources	5,941	5,969	5,289	$680
Total Expenditures	$5,941	$5,969	5,289	$680
Revenues Over (Under) Expenditures			47,414	
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets				
Transfers In			4,600	
Transfers Out			(17,258)	
Total Other Financing Sources (Uses)			(12,658)	
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			34,756	
Reconciling Items				
Changes Affected by Accrued Expenditures			(9)	
Fund Balances - Beginning of Year			274,143	
Fund Balances - End of Year			$308,890	

Total			
Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget
$68,814	$68,814	$68,814	-
93,057	93,057	93,057	-
161,871	161,871	161,871	-
21,217	21,319	18,890	$2,429
$21,217	$21,319	18,890	$2,429
		142,981	
		3,054	
		4,600	
		(40,345)	
		(32,691)	
		110,290	
		(116)	
		842,889	
		$953,063	

GREAT SEAL OF
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THE STATE OF IDAHO

NONMAJOR ENTERPRISE FUNDS account for the operation of state agencies that provide goods or services to the general public and finance their operations primarily through user charges. The following provides a brief description of the nonmajor enterprise funds.

The STATE LOTTERY was established by the Legislature in 1988. The State Lottery's purpose is to adopt rules and regulations governing the establishment and operation of lottery games, to oversee lottery operations, and to maximize the net income of the lottery for the benefit of the State. Annually, on July 1, the State Lottery's surplus net income is distributed evenly between the permanent building account and the school district building account as dictated by *Idaho Code*, Section 67-7434.

The LIQUOR DISPENSARY'S purpose is to conduct, license, and regulate the sale of alcoholic beverages. A portion of the surplus from the Fund is transferred to the State's General Fund and other funds as dictated by *Idaho Code*, Section 23-404. The balance, after the above authorized transfers, is then distributed 40 percent to counties and 60 percent to cities.

The CORRECTIONAL INDUSTRIES provides employment for inmates of the Department of Correction. Correctional Industries manufactures and sells a variety of items including license plates, furniture, highway signs, printing services, and other miscellaneous products and services.

Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2006
(dollars in thousands)

	State Lottery	Liquor Dispensary	Correctional Industries	Total
ASSETS				
Current Assets				
Cash with Treasurer	$1,121	$11,495	$3,463	$16,079
Cash and Cash Equivalents	305			305
Accounts Receivable, Net	765	88	335	1,188
Interfund Receivables			332	332
Inventories and Prepaid Items	733	8,622	1,138	10,493
Other Current Assets	202			202
Total Current Assets	3,126	20,205	5,268	28,599
Noncurrent Assets				
Restricted Cash and Cash Equivalents	35,328	2,000		37,328
Capital Assets, Net	406	3,347	1,042	4,795
Total Noncurrent Assets	35,734	5,347	1,042	42,123
Total Assets	$38,860	$25,552	$6,310	$70,722
LIABILITIES				
Current Liabilities				
Accounts Payable	$1,060	$3,811	$324	$5,195
Payroll and Related Liabilities	93	237	75	405
Due to Other Entities		4,807		4,807
Unearned Revenue			5	5
Other Accrued Liabilities	2,447		56	2,503
Compensated Absences Payable	138	450	95	683
Total Current Liabilities	3,738	9,305	555	13,598
Total Liabilities	3,738	9,305	555	13,598
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	406	3,347	1,042	4,795
Restricted for:				
Other Purposes	33,000	2,000		35,000
Unrestricted	1,716	10,900	4,713	17,329
Total Net Assets	35,122	16,247	5,755	57,124
Total Liabilities and Net Assets	$38,860	$25,552	$6,310	$70,722

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	State Lottery	Liquor Dispensary	Correctional Industries	Total
OPERATING REVENUES				
Licenses, Permits, and Fees		$2		$2
Sale of Goods and Services	$131,131	107,509	$7,344	245,984
Other Income	30	21	52	103
Total Operating Revenues	131,161	107,532	7,396	246,089
OPERATING EXPENSES				
Personnel Costs	2,417	7,974	1,984	12,375
Services and Supplies	17,686	61,819	3,953	83,458
Benefits, Awards, and Premiums	76,679			76,679
Depreciation	340	141	163	644
Other Expenses	483	2,663	139	3,285
Total Operating Expenses	97,605	72,597	6,239	176,441
Operating Income (Loss)	33,556	34,935	1,157	69,648
NONOPERATING REVENUES (EXPENSES)				
Investment Income	144	432	102	678
Intergovernmental Distributions		(20,607)		(20,607)
Other Nonoperating Revenues (Expenses)		3		3
Total Nonoperating Revenues (Expenses)	144	(20,172)	102	(19,926)
Income (Loss) Before Transfers	33,700	14,763	1,259	49,722
Transfers Out	(26,000)	(8,295)		(34,295)
Change in Net Assets	7,700	6,468	1,259	15,427
Total Net Assets - Beginning of Year	27,422	9,779	4,496	41,697
Total Net Assets - End of Year	$35,122	$16,247	$5,755	$57,124

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	State Lottery	Liquor Dispensary	Correctional Industries	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	$130,976	$107,503	$7,303	$245,782
Receipts for Interfund Services		20		20
Payments to Suppliers	(18,032)	(66,308)	(3,761)	(88,101)
Payments to Employees	(2,521)	(8,327)	(2,166)	(13,014)
Payments for Interfund Services		(91)		(91)
Payments for Benefits, Awards, and Claims	(77,679)			(77,679)
Net Cash Provided (Used) by Operating Activities	32,744	32,797	1,376	66,917
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Intergovernmental Distributions		(17,360)		(17,360)
Transfers Out	(26,000)	(8,295)		(34,295)
Net Cash Provided (Used) by Noncapital Financing Activities	(26,000)	(25,655)		(51,655)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Lease Payments	(51)			(51)
Proceeds from Disposition of Capital Assets		3		3
Acquisition and Construction of Capital Assets	(128)	(137)	(94)	(359)
Net Cash Provided (Used) by Capital and Related Financing Activities	(179)	(134)	(94)	(407)
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of Interest and Dividends	144	432	102	678
Net Cash Provided (Used) by Investing Activities	144	432	102	678
Net Increase (Decrease) in Cash and Cash Equivalents	6,709	7,440	1,384	15,533
Beginning Cash, Cash Equivalents, and Cash with Treasurer	30,045	6,055	2,079	38,179
Ending Cash, Cash Equivalents, and Cash with Treasurer	$36,754	$13,495	$3,463	$53,712
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$33,556	$34,935	$1,157	$69,648
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	340	141	163	644
Net Changes in Assets and Liabilities:				
Accounts Receivable/Interfund Receivables	(185)	(7)	(79)	(271)
Inventories and Prepaid Items	(290)	(1,940)	255	(1,975)
Other Current Assets	39			39
Accounts Payable/Interfund Payables	388	20	76	484
Unearned Revenue			(14)	(14)
Compensated Absences	(45)	(103)	1	(147)
Other Accrued Liabilities	(1,059)	(249)	(183)	(1,491)
Net Cash Provided (Used) by Operating Activities	$32,744	$32,797	$1,376	$66,917

INTERNAL SERVICE FUNDS account for the operation of state agencies which provide goods or services to other state agencies and governmental units on a cost-reimbursement basis. The following provides a brief description of operations included in the internal service funds.

The GROUP INSURANCE FUND, enabled through *Idaho Code*, Section 67-5760, is administered by the Department of Administration. It provides health insurance to all state employees and optional coverage for dependents and retirees. The Fund also provides life insurance and short and long-term disability coverage.

The RISK MANAGEMENT FUND accounts for insurance coverage and loss prevention to all state agencies. Coverage is provided using a combination of self-insurance and private excess insurance.

The GENERAL SERVICES FUND accounts for statewide auditing, human resources, treasury services, surplus property redistribution and sale, copying services, purchasing, mail services for state agencies, and voice and data communication services.

The DATA PROCESSING SERVICES FUND accounts for data processing services provided by the Office of the State Controller to the various state agencies. In addition, the State Department of Education provides data processing services to local school districts and some state agencies.

Combining Statement of Net Assets
Internal Service Funds
June 30, 2006
(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
ASSETS					
Current Assets					
Cash with Treasurer	$88,804	$7,776	$6,373	$1,364	$104,317
Accounts Receivable, Net		1	199	5	205
Interfund Receivables		88	232	516	836
Inventories and Prepaid Items		66	2,752	284	3,102
Other Current Assets	153	85			238
Total Current Assets	88,957	8,016	9,556	2,169	108,698
Noncurrent Assets					
Investments	21,641	12,049			33,690
Capital Assets, Net	7	6	15,699	716	16,428
Total Noncurrent Assets	21,648	12,055	15,699	716	50,118
Total Assets	$110,605	$20,071	$25,255	$2,885	$158,816
LIABILITIES					
Current Liabilities					
Accounts Payable			$547		$547
Payroll and Related Liabilities	$8	$14	236	$115	373
Interfund Payables	37		13		50
Unearned Revenue	11,205		212		11,417
Other Accrued Liabilities			3		3
Capital Leases Payable			114		114
Compensated Absences Payable	16	14	430	230	690
Bonds and Notes Payable			89		89
Policy Claim Liabilities	2,715	3,827			6,542
Total Current Liabilities	13,981	3,855	1,644	345	19,825
Noncurrent Liabilities					
Capital Leases Payable			165		165
Bonds and Notes Payable			3,666		3,666
Policy Claim Liabilities	15,180	12,152			27,332
Total Noncurrent Liabilities	15,180	12,152	3,831		31,163
Total Liabilities	29,161	16,007	5,475	345	50,988
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	7	6	11,665	716	12,394
Restricted for:					
Claims and Judgments	39,495				39,495
Unrestricted	41,942	4,058	8,115	1,824	55,939
Total Net Assets	81,444	4,064	19,780	2,540	107,828
Total Liabilities and Net Assets	$110,605	$20,071	$25,255	$2,885	$158,816

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	Group Insurance	Risk Management	General Services	Data Processing Services	Total
OPERATING REVENUES					
Sale of Goods and Services	$177,143	$5,052	$20,946	$7,193	$210,334
Grants and Contributions			45		45
Other Income		39	538	333	910
Total Operating Revenues	177,143	5,091	21,529	7,526	211,289
OPERATING EXPENSES					
Personnel Costs	237	406	7,580	3,695	11,918
Services and Supplies	284	2,648	11,229	2,385	16,546
Benefits, Awards, and Premiums	151,576	2,738			154,314
Depreciation	2	1	830	642	1,475
Other Expenses	85	509	1,972	74	2,640
Total Operating Expenses	152,184	6,302	21,611	6,796	186,893
Operating Income (Loss)	24,959	(1,211)	(82)	730	24,396
NONOPERATING REVENUES (EXPENSES)					
Investment Income	3,888	470	313	39	4,710
Interest Expense			(436)	(11)	(447)
Gain (Loss) on Sale of Capital Assets			(2)		(2)
Other Nonoperating Revenues (Expenses)			2		2
Total Nonoperating Revenues (Expenses)	3,888	470	(123)	28	4,263
Income (Loss) Before Contributions and Transfers	28,847	(741)	(205)	758	28,659
Transfers In			1,830		1,830
Transfers Out			(17)		(17)
Change in Net Assets	28,847	(741)	1,608	758	30,472
Total Net Assets - Beginning of Year, as Restated	52,597	4,805	18,172	1,782	77,356
Total Net Assets - End of Year	$81,444	$4,064	$19,780	$2,540	$107,828

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	Group Insurance	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers		$58
Receipts for Interfund Services	$178,102	4,965
Receipts from Grants and Contributions		
Payments to Suppliers	(167)	(1,262)
Payments to Employees	(236)	(420)
Payments for Interfund Services	(165)	(212)
Payments for Benefits, Awards, and Claims	(153,586)	(4,117)
Net Cash Provided (Used) by Operating Activities	23,948	(988)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers In		
Transfers Out		
Interest Paid		
Net Cash Provided (Used) by Noncapital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of Notes and Bonds		
Capital Lease Payments		
Proceeds from Disposition of Capital Assets		
Acquisition and Construction of Capital Assets	(5)	(3)
Net Cash Provided (Used) by Capital and Related Financing Activities	(5)	(3)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest and Dividends	4,589	861
Purchase of Investments	(2,190)	(1,201)
Net Cash Provided (Used) by Investing Activities	2,399	(340)
Net Increase (Decrease) in Cash and Cash Equivalents	26,342	(1,331)
Beginning Cash, Cash Equivalents, and Cash with Treasurer	62,462	9,107
Ending Cash, Cash Equivalents, and Cash with Treasurer	$88,804	$7,776
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$24,959	($1,211)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2	1
Net Changes in Assets and Liabilities:		
Accounts Receivable/Interfund Receivables		(68)
Inventories and Prepaid Items		1,683
Accounts Payable/Interfund Payables	37	
Unearned Revenue	959	
Compensated Absences	4	(2)
Policy Claim Liabilities	(2,010)	(1,379)
Other Accrued Liabilities	(3)	(12)
Net Cash Provided (Used) by Operating Activities	$23,948	($988)

Noncash Transactions (dollars in thousands):

Investments decreased in fair value by $710 for Group Insurance and $395 for Risk Management. General Services acquired capital assets by notes payable of $3,859, capital lease of $85, and disposed of capital assets at a loss of $2.

General Services	Data Processing Services	Total
$570		$628
20,949	$6,697	210,713
49		49
(10,676)	(1,908)	(14,013)
(7,764)	(3,776)	(12,196)
(3,018)	(334)	(3,729)
		(157,703)
110	679	23,749
1,830		1,830
(17)		(17)
(429)	(11)	(440)
1,384	(11)	1,373
(104)		(104)
(98)	(362)	(460)
2		2
(115)	(225)	(348)
(315)	(587)	(910)
313	39	5,802
		(3,391)
313	39	2,411
1,492	120	26,623
4,881	1,244	77,694
$6,373	$1,364	$104,317
($82)	$730	$24,396
830	642	1,475
62	(468)	(474)
(816)	238	1,105
323	(21)	339
(23)	(361)	575
29	20	51
		(3,389)
(213)	(101)	(329)
$110	$679	$23,749

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FIDUCIARY FUNDS report assets held in a trustee or agency capacity for others and therefore cannot be used to support the State's own programs. The following provides a brief description of the State's fiduciary funds.

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, and other postemployment benefit plans. The State's pension trust funds include the following:

The PERSI Base Plan and **the Firefighters' Retirement Fund** are cost-sharing, multiple employer defined benefit retirement plans that provide benefits based on member's years of service, age, and highest average salary. In addition, benefits are provided for disability, death, and to survivors of eligible members or beneficiaries.

The Judges' Retirement Fund provides retirement benefits to retired justices, judges, and allowances to surviving spouses.

The Defined Contribution 414(k) Plan and **the Defined Contribution 401(k) Plan** are defined contribution retirement plans that consist of gain sharing allocations, voluntary employee contributions, rollover contributions, and some employer matching contributions.

The Sick Leave Insurance Reserve-State Fund and **the Sick Leave Insurance Reserve-Schools Fund** are trust funds that provide payment of health insurance premiums on behalf of retired employees based on accumulated unused sick leave at the time of retirement.

INVESTMENT TRUST FUNDS account for assets invested by the State on behalf of other governmental entities. The following provides a brief description of the State's investment trust funds:

The Local Government Investment Pool is an investment trust fund that accounts for the investments managed by the State Treasurer's Office for Local Government Investment Pool participants.

The Diversified Bond Fund is an investment trust fund that accounts for the investments managed by the State Treasurer's Office for Diversified Bond Fund participants.

AGENCY FUNDS account for resources held by the State in a purely custodial capacity. The following provides a brief description of the State's agency funds:

Custodial accounts for the receipts and disbursements of monies collected by the State and distributed to entities or individuals. This includes deposits of securities by banks and insurance companies doing business in the State.

Payroll is a clearing fund for state and federal withholding, social security taxes, and voluntary employee deductions related to the State's payroll.

Combining Statement of Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
June 30, 2006
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Defined Contribution 414(k)
ASSETS				
Cash with Treasurer	$1,781	$48	$310	
Cash and Cash Equivalents	411	11	1,191	
Investments:				
Pooled Short Term	536,621	14,565		
Fixed Income Investments	2,320,555	62,986	14,455	
Marketable Securities	5,947,439	161,429	41,602	
Mutual Funds and Private Equities	293,654	7,971		$61,159
Mortgages and Real Estate	442,980	12,024		
Receivables:				
Investments Sold	899,349	24,331		
Contributions	4,198	115	99	
Interest and Dividends	43,151	1,167	38	288
Interfund Receivables				
Other Receivables			142	
Other Assets	30,773			
Capital Assets, Net	2,851			
Total Assets	10,523,763	284,647	57,837	61,447
LIABILITIES				
Accounts Payable	248		45	
Interfund Payables	1,572			
Investments Purchased	1,318,574	35,672		
Other Accrued Liabilities	7,917	209		
Total Liabilities	1,328,311	35,881	45	
NET ASSETS				
Held in Trust for:				
Employee Pension Benefits	9,195,452	248,766	57,792	61,447
Postemployment Healthcare Benefits				
Total Net Assets	$9,195,452	$248,766	$57,792	$61,447

Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
	$18	$30	$2,187
$20			1,633
989			552,175
	28,950	47,665	2,474,611
	45,372	74,704	6,270,546
161,468			524,252
			455,004
			923,680
254			4,666
573			45,217
	616	956	1,572
			142
	239	635	31,647
			2,851
163,304	75,195	123,990	11,290,183
			293
			1,572
			1,354,246
	8	14	8,148
	8	14	1,364,259
163,304			9,726,761
	75,187	123,976	199,163
$163,304	$75,187	$123,976	$9,925,924

Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	PERSI Base Plan	Firefighters' Retirement	Judges' Retirement	Defined Contribution 414(k)
ADDITIONS				
Contributions:				
Member	$154,315	$38	$271	
Employer	250,816	12,108	317	
Transfers In from Other Plans				
Total Contributions	405,131	12,146	588	
Investment Income:				
Net Increase (Decrease) in Fair Value of Investments	753,558	20,386	3,688	$6,198
Interest, Dividends, and Other	255,593	6,915	1,424	648
Less Investment Expense:				
Investment Activity Expense	(39,766)	(1,076)	(187)	(130)
Net Investment Income	969,385	26,225	4,925	6,716
Miscellaneous Income	127		1,523	
Total Additions	1,374,643	38,371	7,036	6,716
DEDUCTIONS				
Benefits and Refunds Paid to Plan Members	398,459	16,827	3,371	485
Transfers Out to Other Plans				2,000
Administrative Expense	7,308		34	
Total Deductions	405,767	16,827	3,405	2,485
Change in Net Assets Held in Trust for:				
Employee Pension Benefits	968,876	21,544	3,631	4,231
Employee Postemployment Healthcare Benefits				
Net Assets - Beginning of Year	8,226,576	227,222	54,161	57,216
Net Assets - End of Year	$9,195,452	$248,766	$57,792	$61,447

Defined Contribution 401(k)	Sick Leave Insurance Reserve-State	Sick Leave Insurance Reserve-Schools	Total
$25,873			$180,497
282	$5,321	$11,574	280,418
6,246			6,246
32,401	5,321	11,574	467,161
10,216	3,547	5,848	803,441
5,612			270,192
(67)	(34)	(56)	(41,316)
15,761	3,513	5,792	1,032,317
	6	10	1,666
48,162	8,840	17,376	1,501,144
3,479	2,724	7,729	433,074
2,041			4,041
	20	33	7,395
5,520	2,744	7,762	444,510
42,642			1,040,924
	6,096	9,614	15,710
120,662	69,091	114,362	8,869,290
$163,304	$75,187	$123,976	$9,925,924

Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2006
(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ASSETS			
Investments:			
Pooled Short Term	$393,605		$393,605
Fixed Income Investments	86,490	$46,324	132,814
Mortgages and Real Estate	484,546	54,119	538,665
Securities Lending Collateral	534,084	79,843	613,927
Receivables:			
Interest and Dividends	7,447	712	8,159
Total Assets	1,506,172	180,998	1,687,170
LIABILITIES			
Obligations Under Securities Lending	534,084	79,843	613,927
Other Accrued Liabilities	3,599	392	3,991
Total Liabilities	537,683	80,235	617,918
NET ASSETS			
Held in Trust for:			
External Investment Pool Participants	968,489	100,763	1,069,252
Total Net Assets	$968,489	$100,763	$1,069,252

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	Local Government Investment Pool	Diversified Bond Fund	Total
ADDITIONS			
Contributions:			
Participant Deposits	$2,158,080	$41,644	$2,199,724
Total Contributions	2,158,080	41,644	2,199,724
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	(34,876)	(9,552)	(44,428)
Interest, Dividends, and Other	34,749	8,929	43,678
Securities Lending Income	689		689
Less Investment Expense:			
Investment Activity Expense	(225)	(214)	(439)
Securities Lending Expense	(190)		(190)
Net Investment Income	147	(837)	(690)
Total Additions	2,158,227	40,807	2,199,034
DEDUCTIONS			
Earnings Distribution	34,749	2,397	37,146
Participant Withdrawals	2,241,543	5,676	2,247,219
Total Deductions	2,276,292	8,073	2,284,365
Change in Net Assets Held in Trust for:			
External Investment Pool Participants	(118,065)	32,734	(85,331)
Net Assets - Beginning of Year	1,086,554	68,029	1,154,583
Net Assets - End of Year	$968,489	$100,763	$1,069,252

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2006
(dollars in thousands)

	Custodial	Payroll	Total
ASSETS			
Cash with Treasurer	$24,403	$6,376	$30,779
Cash and Cash Equivalents	9,251		9,251
Investments:			
Fixed Income Investments	192,311		192,311
Other Investments	6,568		6,568
Receivables:			
Interest and Dividends	78		78
Total Assets	$232,611	$6,376	$238,987
LIABILITIES			
Payroll and Related Liabilities		$6,376	$6,376
Due to Other Entities	$661		661
Amounts Held in Trust for Others	228,614		228,614
Other Accrued Liabilities	3,336		3,336
Total Liabilities	$232,611	$6,376	$238,987

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	Balance July 1, 2005 As Restated	Additions	Deductions	Balance June 30, 2006
CUSTODIAL				
Assets				
Cash with Treasurer	$8,714	$369,821	$354,132	$24,403
Cash and Cash Equivalents	6,281	9,251	6,281	9,251
Fixed Income Investments	167,323	192,730	167,742	192,311
Other Investments	6,827	665	924	6,568
Interest and Dividends	9,149	16,015	25,086	78
Total Assets	$198,294	$588,482	$554,165	$232,611
Liabilities				
Due to Other Entities	$1,471	$9,008	$9,818	$661
Amounts Held in Trust for Others	194,855	295,844	262,085	228,614
Other Accrued Liabilities	1,968	48,102	46,734	3,336
Total Liabilities	$198,294	$352,954	$318,637	$232,611
PAYROLL				
Assets				
Cash with Treasurer	$464	$1,275,688	$1,269,776	$6,376
Total Assets	$464	$1,275,688	$1,269,776	$6,376
Liabilities				
Payroll and Related Liabilities	$464	$1,623,182	$1,617,270	$6,376
Total Liabilities	$464	$1,623,182	$1,617,270	$6,376
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash with Treasurer	$9,178	$1,645,509	$1,623,908	$30,779
Cash and Cash Equivalents	6,281	9,251	6,281	9,251
Fixed Income Investments	167,323	192,730	167,742	192,311
Other Investments	6,827	665	924	6,568
Interest and Dividends	9,149	16,015	25,086	78
Total Assets	$198,758	$1,864,170	$1,823,941	$238,987
Liabilities				
Payroll and Related Liabilities	$464	$1,623,182	$1,617,270	$6,376
Due to Other Entities	1,471	9,008	9,818	661
Amounts Held in Trust for Others	194,855	295,844	262,085	228,614
Other Accrued Liabilities	1,968	48,102	46,734	3,336
Total Liabilities	$198,758	$1,976,136	$1,935,907	$238,987

Payroll beginning cash and liability balances were restated due to prior year understatement.

Lori Corbett - Wood Sculptor

Born in 1958, Lori Corbett grew up in Pocatello, Idaho. She now lives in St. Anthony, Idaho, a community of about 3,000 residents. Lori has always felt a kinship with animals, particularly birds. As a child she knew she could fly if she could only convince the birds to reveal their secret. In an attempt to become airborne, she spent hours making paper wings and tails, running, and jumping. Her stepfather gave her a piece of good advice—she should observe the birds very patiently and quietly.



Lori's artistic pursuits were fostered by her stepfather, a talented pencil artist himself. About the time her stepfather was diagnosed with a terminal illness, Lori began to learn bird carving. It became her therapy when he passed away in 1986. In a bittersweet way, Lori finally got her wings.

As Lori points out, "Many people don't have the opportunity to see the intricacies and subtleties of form and color that birds possess. By making these highly detailed sculptures, I'm attempting to reveal this beauty to the collector and show that even 'drab' birds are incredibly beautiful when seen up close."

Most of Lori's creations start as written "stories" detailing the feeling or attitude of what the bird is doing, as well as its state of mind. From there she moves to her sketchbook and gathers all of the reference material she can on her subject. A preliminary design is drawn, and from the sketches Lori moves to an oil-based clay. This not only familiarizes her with the anatomy of her subject, but also aids in working out the concept in three-dimensions. Once Lori is satisfied with the clay sketch, she will start carving, using a flex-shaft machine and a micro-grinding machine. Each feather is carved and detailed with small carving bits; sharp wood burning tips are used to score each feather barb. Once this is done, the painting process begins. The color is built up by using several layers of thin acrylic paint. Any given area can have more than 15 layers. It takes Lori 100 to several hundred hours to create a piece, depending on size and complexity. Lori's sculptures are carved from tupelo, a special type of carving wood. The birds' legs, feet, and various habitat materials are created from metal.

Students from all over the country attend Lori's workshops on bird carving in her studio. She also offers short seminars at various carving competitions and shows.

Lori has been carving since 1986 and has sculptures in private collections in numerous states. Her work is sold primarily by commission.

Lori and her husband share their home with a cat and assorted creatures that have come for a handout and stayed, including a gentled squirrel, a skunk, a rabbit, and, of course, birds.



Photos courtesy of Lori Corbett: www.whisperingeagle.com
Left and Right: *Life is Tough In the Lavas* - Mountain Bluebird - 2005

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Report.

Schedule 1 - Net Assets by Component

Fiscal Years 2002-2006

(accrual basis of accounting, dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006
Governmental Activities					
Invested in Capital Assets, Net of Related Debt[1]	$3,498,136	$3,616,310	$3,755,317	$3,978,358	$4,179,097
Restricted[2]	1,006,427	1,044,171	1,230,263	1,255,613	1,354,676
Unrestricted[3]	302,330	189,605	311,848	533,347	811,416
Total Governmental Activities Net Assets	**$4,806,893**	**$4,850,086**	**$5,297,428**	**$5,767,318**	**$6,345,189**
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	$392,358	$418,240	$411,159	$447,206	$467,275
Restricted[4]	602,219	653,739	637,531	619,352	720,721
Unrestricted[5]	109,473	33,872	84,174	146,942	163,636
Total Business-Type Activities Net Assets	**$1,104,050**	**$1,105,851**	**$1,132,864**	**$1,213,500**	**$1,351,632**
Primary Government					
Invested in Capital Assets, Net of Related Debt	$3,890,494	$4,034,550	$4,166,476	$4,425,564	$4,646,372
Restricted	1,608,646	1,697,910	1,867,794	1,874,965	2,075,397
Unrestricted	411,803	223,477	396,022	680,289	975,052
Total Primary Government Net Assets	**$5,910,943**	**$5,955,937**	**$6,430,292**	**$6,980,818**	**$7,696,821**

NOTE: The State implemented Governmental Accounting Standards Board Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

[1]In fiscal year 2006 the governmental activities' investments in capital assets increased primarily due to increases recorded by the Idaho Transportation Department for land and infrastructure. In fiscal year 2005 the increase was mainly due to capital expenditures by the Idaho State Building Authority (for buildings) and the Idaho Transportation Department (for land and infrastructure).

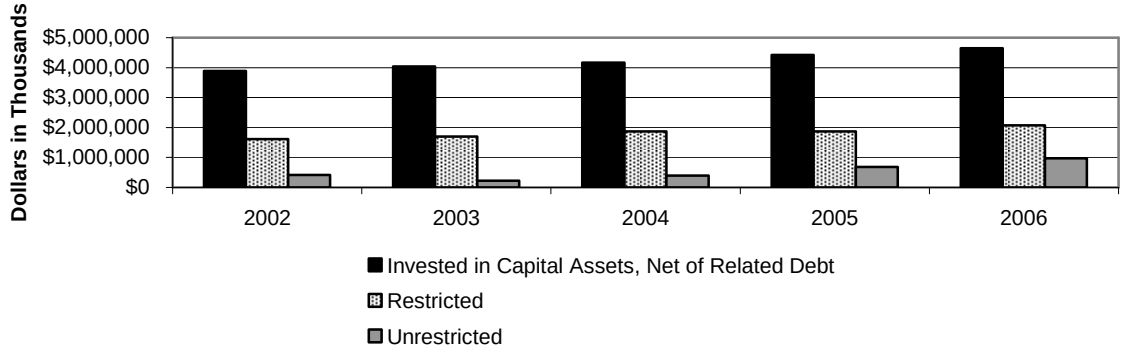
[2]In fiscal year 2006 governmental activities' restricted net assets increased mainly due to endowment fund investment income and receipts from timber sales and land leases. In fiscal year 2004 restricted net assets increased primarily due to endowment fund investment income and Idaho State Building Authority bond proceeds.

[3]In fiscal year 2006 the governmental activities' unrestricted net assets increased mainly due to an increase in individual and corporate income taxes. In fiscal years 2004 and 2005 the unrestricted net assets increased due to a temporary sales tax increase and a strengthening economy. In fiscal year 2003 the unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet the State's current year obligations.

[4]In fiscal year 2006 business-type activities' restricted net assets increased mainly due to increases in unemployment compensation assessments and decreases in unemployment claims.

[5]In fiscal year 2005 business-type activities' unrestricted net assets increased primarily due to increased student tuition and fees for the colleges and universities. In fiscal year 2004 unrestricted net assets increased due to grant revenues for colleges and universities. In fiscal year 2003 the unrestricted net assets decreased primarily as a result of the recession and the need to utilize cash reserves to help meet current year obligations.

Primary Government Net Assets by Component
Fiscal Years 2002 - 2006



Schedule 2 - Changes in Net Assets

Fiscal Years 2002-2006

(accrual basis of accounting, dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006
Governmental Activities:					
Expenses					
General Government	$486,809	$458,586	$504,727	$606,542	$634,262
Public Safety and Correction	239,336	238,050	241,550	229,158	266,036
Health and Human Services[1]	1,242,566	1,347,997	1,507,865	1,600,692	1,676,706
Education	1,244,030	1,252,020	1,287,879	1,331,795	1,385,448
Economic Development	577,468	587,152	600,341	616,149	629,499
Natural Resources	215,537	170,761	186,594	205,635	213,599
Interest Expense	16,652	18,911	16,556	18,175	21,130
Total Expenses	4,022,398	4,073,477	4,345,512	4,608,146	4,826,680
Program Revenues					
Charges for Services:					
General Government	218,739	250,065	288,592	302,554	306,363
Economic Development	198,705	197,041	198,643	203,550	215,735
Other Activities	201,142	224,908	227,315	241,529	264,346
Operating Grants and Contributions[2]	1,230,063	1,461,507	1,787,214	1,832,487	1,899,754
Capital Grants and Contributions	3,564	1,882	3,284	5,211	8,624
Total Program Revenues	1,852,213	2,135,403	2,505,048	2,585,331	2,694,822
Total Governmental Activities Net Program Expense	(2,170,185)	(1,938,074)	(1,840,464)	(2,022,815)	(2,131,858)
General Revenues and Other Changes in Net Assets					
Taxes:					
Sales Tax[3]	789,110	860,526	1,039,746	1,135,210	1,061,861
Individual and Corporate Taxes[4]	877,594	922,790	991,520	1,167,799	1,428,996
Fuel Tax	231,105	223,515	215,096	220,801	224,373
Other Taxes	133,329	160,935	182,606	185,375	182,112
Tobacco Settlement	26,602	23,772	23,004	23,145	21,404
Grants Not Restricted to Specific Programs			50,007		
Unrestricted Investment Earnings	21,008	13,457	12,020	15,595	34,734
Transfers	(228,921)	(223,729)	(226,193)	(255,219)	(243,751)
Total General Revenues and Other Changes in Net Assets	1,849,827	1,981,266	2,287,806	2,492,706	2,709,729
Total Governmental Activities Change in Net Assets	**($320,358)**	**$43,192**	**$447,342**	**$469,891**	**$577,871**
Business-Type Activities:					
Expenses					
College and University	$665,908	$667,324	$699,674	$753,689	$780,066
Unemployment Compensation[5]	182,343	179,423	164,950	142,862	109,113
Loan	1,369	1,072	913	654	719
State Lottery	71,848	76,310	85,046	89,424	97,605
Liquor Dispensary	64,593	68,664	75,747	79,817	93,204
Correctional Industries	6,053	5,427	5,835	5,655	6,239
Total Expenses	992,114	998,220	1,032,165	1,072,101	1,086,946
Revenues					
Charges for Services:					
College and University	192,388	243,292	250,417	283,463	315,924
Unemployment Compensation	153,031	124,379	130,789	143,828	159,365
State Lottery	89,228	98,267	109,443	113,613	131,305
Other Activities	86,184	89,833	96,490	108,600	124,600
Operating Grants and Contributions	174,575	198,007	222,013	228,049	229,902
Capital Grants and Contributions	42,488	22,515	23,833	19,965	20,231
Total Revenues	737,894	776,293	832,985	897,518	981,327
Total Business-Type Activities Net Program Expense	(254,220)	(221,927)	(199,180)	(174,583)	(105,619)
General Revenues and Other Changes in Net Assets					
Transfers	271,104	223,729	226,193	255,219	243,751
Total General Revenues and Other Changes in Net Assets	271,104	223,729	226,193	255,219	243,751
Total Business-Type Activities Change in Net Assets	**$16,884**	**$1,802**	**$27,013**	**$80,636**	**$138,132**
Total Primary Government Change in Net Assets	**($303,474)**	**$44,994**	**$474,355**	**$550,527**	**$716,003**

[1]From fiscal years 2002 to 2006 Health and Human Services' expenses have reflected continuous growth due to rising Medicaid and income assistance payments.

[2]From fiscal years 2002 to 2006 operating grants and contributions have risen primarily due to grant increases benefiting health, transportation, and education.

[3]From fiscal years 2003 to 2005 sales taxes increased due to a temporary sales tax increase and increased consumer spending. The state sales tax increased from 5 to 6 percent on May 1, 2003, and reverted to 5 percent on July 1, 2005.

[4]In fiscal year 2006 individual and corporate income taxes increased due to increased levels of employment and personal income.

[5]In fiscal year 2006 Unemployment Compensation expenses decreased due to fewer unemployment claims related to low unemployment.

Schedule 3 - Fund Balances, Governmental Funds

Fiscal Years 1997-2006

(modified accrual basis of accounting, dollars in thousands)

	1997	1998	1999	2000	2001	2002 (as restated)
General Fund						
Reserved	$27,292	$18,876	$31,236	$30,235	$55,064	$40,311
Unreserved[1]	166,949	207,924	240,755	444,791	519,321	288,810
Total General Fund[2]	194,241	226,800	271,991	475,026	574,385	329,121
All Other Governmental Funds						
Reserved[3]	110,563	195,538	118,593	87,863	70,819	722,033
Unreserved, Reported in:						
Special Revenue Funds	193,605	218,945	272,841	245,723	250,225	261,903
Permanent Funds[4]						15,886
Total All Other Governmental Funds	304,168	414,483	391,434	333,586	321,044	999,822
Total Fund Balances, Governmental Funds	**$498,409**	**$641,283**	**$663,425**	**$808,612**	**$895,429**	**$1,328,943**

Note: GASB Statement No. 34 was implemented in fiscal year 2002. This standard required the reclassification of certain funds; prior years have not been restated.

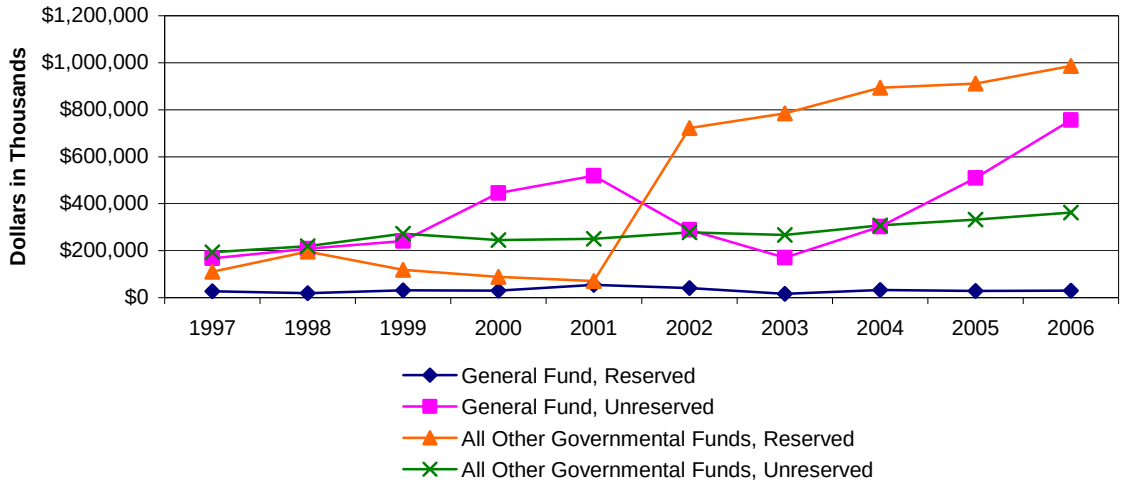
[1]In fiscal year 2006 the General Fund unreserved fund balance increase is mainly attributable to increased personal and corporate income tax revenues. The increases in fiscal years 2004 and 2005 were due to a temporary sales tax increase and a strengthening economy.

[2]In fiscal years 2002 and 2003 Idaho's economy suffered during the national recession, as reflected in the decreased General Fund balances.

[3]In fiscal year 2006 the other governmental funds reserved fund balances increased largely due to an increase in the fair value of endowment fund investments.

[4]In fiscal year 2006 the increase in the unreserved permanent funds balance was due primarily to endowment fund investment earnings and receipts from timber sales and land leases. In fiscal year 2002 the Public School and Pooled Endowment funds were reclassified from non-expendable trust funds to permanent funds.

Fund Balances, Governmental Funds
Fiscal Years 1997 - 2006



2003 (as restated)	2004 (as restated)	2005 (as restated)	2006
$16,248	$33,012	$28,703	$30,404
170,076	302,106	508,837	755,645
186,324	335,118	537,540	786,049
784,150	893,308	911,390	985,836
255,318	279,832	278,100	267,946
11,495	28,421	53,992	94,651
1,050,963	1,201,561	1,243,482	1,348,433
$1,237,287	**$1,536,679**	**$1,781,022**	**$2,134,482**

Schedule 4 - Changes in Fund Balances, Governmental Funds

Fiscal Years 1997-2006

(modified accrual basis of accounting, dollars in thousands)

	1997	1998	1999	2000	2001	2002 (as restated)
Revenues						
Sales Tax[1]	$623,960	$663,853	$712,314	$761,628	$778,162	$778,028
Individual and Corporate Taxes[2]	971,289	1,053,059	1,109,126	1,285,262	1,171,467	889,746
Other Taxes	368,926	377,753	385,481	406,781	412,171	362,546
Licenses, Permits, and Fees	143,407	158,196	168,189	179,089	214,509	212,733
Sale of Goods and Services	55,138	79,140	96,997	107,480	112,987	173,220
Grants and Contributions[3]	895,013	903,019	940,360	1,100,570	1,264,609	1,330,474
Investment Income[4]	80,233	97,688	103,199	102,169	96,525	(52,315)
Tobacco Settlement					22,441	26,602
Other Income	41,998	57,119	52,863	85,503	34,799	46,641
Total Revenues	3,179,964	3,389,827	3,568,529	4,028,482	4,107,670	3,767,675
Expenditures						
General Government	383,209	413,321	378,708	418,639	253,747	127,440
Public Safety and Correction	157,466	174,167	190,625	204,137	233,793	218,142
Health and Human Services[5]	736,387	772,569	835,528	911,642	1,078,943	1,206,910
Education	989,014	1,005,489	1,134,474	1,169,920	1,226,922	1,219,332
Economic Development	389,009	368,881	404,604	421,421	436,532	326,868
Natural Resources	110,699	108,869	116,564	125,977	135,682	162,199
Capital Outlay	258,697	266,672	324,188	350,656	401,518	353,389
Intergovernmental Revenue Sharing	189,671	220,346	207,332	235,804	259,360	342,501
Debt Service:						
Principal						4,850
Interest						11,587
Total Expenditures	3,214,152	3,330,314	3,592,023	3,838,196	4,026,497	3,973,218
Revenues Over (Under) Expenditures	(34,188)	59,513	(23,494)	190,286	81,173	(205,543)
Other Financing Sources (Uses)						
Bonds and Notes Issued		59,525	5,041		5,856	16,440
Discount on Bonds Issued						(144)
Capital Lease Acquisitions		105	19	130	669	8
Sale of Capital Assets						
Transfers In	1,092,039	1,140,342	1,222,166	404,084	484,088	547,785
Transfers Out	(1,062,033)	(1,111,469)	(1,191,819)	(378,217)	(458,235)	(776,385)
Total Other Financing Sources (Uses)	30,006	88,503	35,407	25,997	32,378	(212,296)
Net Changes in Fund Balances	**($4,182)**	**$148,016**	**$11,913**	**$216,283**	**$113,551**	**($417,839)**
Debt Service as a Percentage of Noncapital Expenditures						<1

Note: GASB Statement No. 34 was implemented in fiscal year 2002. This standard required the reclassification of certain funds; prior years have not been restated.

[1]From May 1, 2003, to July 1, 2005, the state sales tax rate increased from 5 to 6 percent, accounting for the increase in sales tax revenue.

[2]In fiscal year 2006 individual and corporate income taxes increased due to increased levels of employment and personal income. In fiscal years 2001 and 2002 individual and corporate income taxes decreased due to a structural reduction in the state tax base and the national recession.

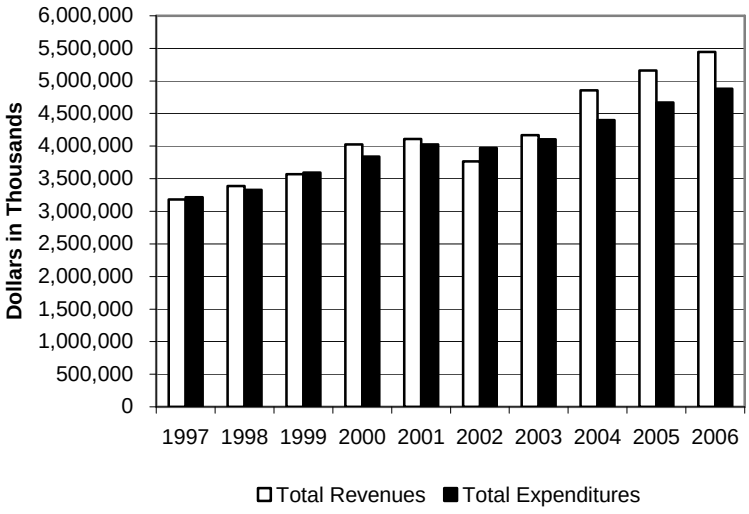
[3]Grants and contributions have steadily increased due to federal grants; mainly benefiting health, transportation, and education.

[4]In fiscal year 2006 investment income increased largely due to the endowment funds. The loss for fiscal year 2002 was due to the effects of the national recession and the resultant decrease in the fair value of investments, mainly relating to the endowment funds.

[5]Health and Human Services' expenditures have steadily risen due to increasing Medicaid and income assistance payments.

2003 (as restated)	2004 (as restated)	2005 (as restated)	2006
$864,509	$1,040,448	$1,137,138	$1,060,612
904,204	997,454	1,176,903	1,436,168
387,820	397,950	406,620	406,336
230,599	240,323	244,165	256,900
181,049	252,291	260,539	264,221
1,447,574	1,719,520	1,757,713	1,806,749
49,681	135,718	104,557	144,559
23,772	22,848	23,151	21,253
79,033	47,658	48,047	47,606
4,168,241	4,854,210	5,158,833	5,444,404
104,109	122,876	143,584	147,445
212,878	219,417	233,598	253,504
1,315,668	1,468,736	1,561,765	1,641,421
1,240,835	1,279,486	1,324,069	1,379,775
347,280	307,312	346,256	358,814
147,630	163,769	178,401	188,784
401,279	436,133	461,907	452,393
315,444	385,698	393,195	425,414
6,915	8,061	10,880	10,751
12,511	8,069	17,671	20,736
4,104,549	4,399,557	4,671,326	4,879,037
63,692	454,653	487,507	565,367
64,145	64,795	26	10,790
(763)	(864)		(23)
		3,757	5,697
	6,909	8,037	17,193
525,453	553,181	594,877	640,776
(744,183)	(779,283)	(849,861)	(886,340)
(155,348)	(155,262)	(243,164)	(211,907)
($91,656)	**$299,391**	**$244,343**	**$353,460**
<1	<1	<1	<1

Revenues and Expenditures, Governmental Funds
Fiscal Years 1997 - 2006



Schedule 5 - Revenue Base

Fiscal/Calendar Years 1997-2006 *(dollars in thousands)*

Taxable Sales by Industry	**Fiscal Year**					
	1997	**1998**	**1999**	**2000**	**2001**	**2002**
Commercial Farms	$5,400	$5,200	$5,075	$6,224	$5,449	$8,020
Agricultural/Forestry, Fishing, and Other	45,338	46,922	50,756	61,284	58,662	70,264
Mining	27,479	27,931	32,007	32,947	32,138	35,884
Construction	267,512	251,953	260,828	281,400	273,933	327,244
Manufacturing	826,601	829,235	1,060,137	969,768	994,325	1,063,164
Transportation and Public Utilities	166,948	152,729	170,342	202,097	224,342	247,881
Wholesale Trade	779,745	803,414	822,386	929,375	874,526	948,927
Retail Trade	8,477,316	8,886,968	9,605,074	10,165,734	9,567,159	11,020,633
Finance, Insurance, and Real Estate	91,596	118,542	163,235	191,574	171,804	133,105
Services	1,408,369	1,495,083	1,546,476	1,664,407	1,615,100	1,873,229
State and Local Government	338,547	352,376	378,660	407,500	394,094	1,720,162
Total Taxable Sales	**$12,434,851**	**$12,970,353**	**$14,094,976**	**$14,912,310**	**$14,211,532**	**$17,448,513**
Direct Sales Tax Rate	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Personal Income by Industry[1]	**Calendar Year**					
	1997	**1998**	**1999**	**2000**	**2001**	**2002**
Farm Earnings	$778,645	$959,461	$1,046,237	$866,537	$1,042,680	$953,330
Agricultural/Forestry, Fishing, and Other	326,990	350,141	359,948	356,736	383,005	365,290
Mining	150,775	147,963	143,555	136,607	115,930	109,675
Construction/Utilities	1,665,870	1,721,409	1,888,523	1,952,596	2,269,257	2,169,344
Manufacturing	2,837,820	3,056,019	3,427,735	3,989,283	3,453,229	3,389,391
Transportation	650,419	686,042	731,131	741,826	773,647	772,835
Wholesale Trade	817,474	863,835	973,896	1,061,767	1,120,456	1,111,561
Retail Trade	1,582,464	1,683,052	1,866,681	1,974,673	2,037,054	2,111,947
Finance, Insurance, and Real Estate	954,657	1,170,744	1,214,054	1,368,867	1,383,119	1,416,562
Services	5,434,392	5,710,774	6,118,144	6,840,158	7,495,498	7,950,164
Federal, Civilian	714,089	743,916	760,871	817,882	841,421	885,609
Military	278,498	289,191	300,167	309,966	329,684	402,061
State and Local Government	2,552,698	2,703,474	2,891,282	3,036,475	3,238,626	3,446,783
Other[2]	6,622,057	7,200,905	7,345,916	7,836,409	8,570,391	8,764,012
Total Personal Income	**$25,366,848**	**$27,286,926**	**$29,068,140**	**$31,289,782**	**$33,053,997**	**$33,848,564**
Total Direct Personal Income Tax Rate	8.0%	8.0%	8.0%	8.0%	6.9%	6.9%

Corporate Income by Category[3]	**Calendar Year**					
	1997	**1998**	**1999**	**2000**	**2001**	**2002**
Corporations	($26,098)	($403,419)	($554,300)	($51,141)	($1,677,005)	($1,889,357)
Sub-S Corporations	29,244	32,293	31,775	50,385	39,893	28,494
Partnerships	(24,836)	(46,322)	(42,092)	(52,021)	(241,506)	(159,037)
Fiduciary	36,767	31,199	33,550	52,321	(10,005)	(26,256)
Total Corporate Income	**$15,077**	**($386,249)**	**($531,067)**	**($456)**	**($1,888,623)**	**($2,046,156)**
Direct Corporate Income Tax Rate	8.0%	8.0%	8.0%	8.0%	7.6%	7.6%

Fuel Sales by Category[3] *(in thousands of gallons)*	**Fiscal Year**					
	1997	**1998**	**1999**	**2000**	**2001**	**2002**
Diesel						228,171
Gasoline						612,947
Propane						147
Natural Gas						12
Aviation						3,021
Jet						30,081
Total Fuel Sales						**874,379**
Total Direct Fuel Tax Rate *(per gallon of fuel)*						$0.242

Sources: Taxable sales, corporate income, and fuel sales--Idaho State Tax Commission; Personal income--US Bureau of Economic Analysis and the Idaho Division of Financial Management.

[1]The US Bureau of Economic Analysis switched from SIC to NAICS system in calendar year 2001. Personal income data for calendar years 2005 and 2006 are estimates.

[2]Other personal income includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

[3]Corporate income data is not available for calendar years 2005 and 2006; fuel sales data is not available for fiscal years 1997 through 2001.

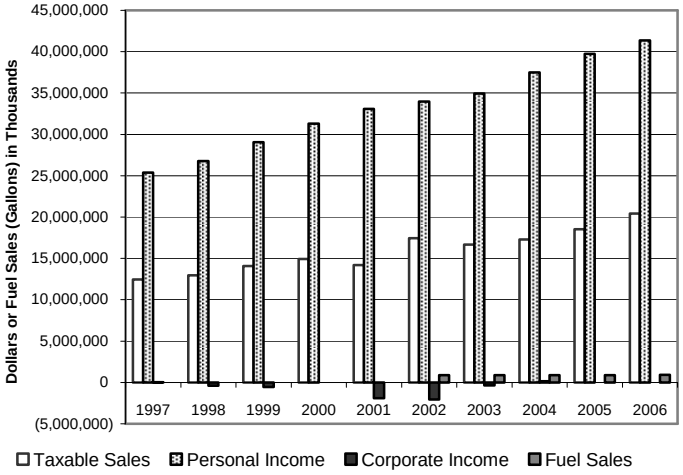
2003	2004	2005	2006
$7,674	$7,265	$8,687	$10,093
73,489	75,997	85,183	99,736
39,280	47,589	53,612	67,655
322,652	315,977	410,645	484,901
1,150,728	1,012,159	1,026,589	998,714
176,603	226,260	253,306	250,375
1,004,481	1,063,094	1,246,743	1,481,922
11,386,198	11,968,267	12,769,055	14,083,361
123,765	116,476	117,091	153,983
1,858,090	1,855,726	1,884,819	2,105,191
523,861	620,550	671,249	690,509
$16,666,821	**$17,309,360**	**$18,526,979**	**$20,426,440**
5.0%	6.0%	6.0%	5.0%

2003	2004	2005	2006
$748,758	$1,178,541	$1,026,204	$971,000
370,497	379,987	399,271	421,000
121,674	139,786	162,227	164,000
2,172,299	2,402,628	2,773,159	3,183,000
3,447,309	3,683,296	3,911,016	4,225,000
782,225	851,666	903,432	956,000
1,142,074	1,236,072	1,387,123	1,546,000
2,195,516	2,311,312	2,588,217	2,818,000
1,527,462	1,633,307	1,862,751	2,061,000
8,208,985	8,945,786	9,574,931	10,337,000
932,310	1,022,724	1,040,987	1,038,000
461,639	512,417	538,742	522,000
3,567,807	3,790,928	3,952,650	4,082,000
9,008,361	10,001,569	10,463,093	10,900,000
$34,686,916	**$38,090,019**	**$40,583,803**	**$43,224,000**
6.9%	7.0%	NA	NA

2003	2004	2005	2006
($233,472)	$62,838	NA	NA
39,253	74,857	NA	NA
(22,093)	(16,627)	NA	NA
(120,714)	23,806	NA	NA
($337,026)	**$144,874**	**NA**	**NA**
7.6%	7.6%	7.6%	7.6%

2003	2004	2005	2006
230,162	239,784	241,079	258,715
617,800	629,499	625,453	636,565
135	138	98	77
15	12	16	13
2,778	2,926	2,512	2,512
29,401	26,921	28,250	31,038
880,291	**899,280**	**897,408**	**928,920**
$0.243	$0.243	$0.243	$0.243

Idaho Revenue Base*
Fiscal/Calendar Years 1997 - 2006



*Corporate Income data is not available for calendar years 2005 and 2006; Fuel Sales data is not available for fiscal years 1997-2001.

Schedule 6 - Revenue Rates

Fiscal/Calendar Years 1997-2006

Personal Income Tax Rates[1] *(dollars in thousands)*

Calendar Year

	1997	1998	1999	2000[2]	2001[2]	2002	2003	2004	2005	2006
Tax Rates for Single and Married Filing Separately on the Portion of Taxable Income in Ranges										
Tax Rate	2.0%	2.0%	2.0%	1.9%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels	$0-1.0	$0-1.0	$0-1.0	$0-1.0	$0-1.1	$0-1.1	$0-1.1	$0-1.1	$0-1.2	$0-1.2
Tax Rate	4.0%	4.0%	4.0%	3.9%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels	$1.0-2.0	$1.0-2.0	$1.0-2.0	$1.0-2.0	$1.1-2.1	$1.1-2.2	$1.1-2.2	$1.1-2.3	$1.2-2.3	$1.2-2.4
Tax Rate	4.5%	4.5%	4.5%	4.4%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels	$2.0-3.0	$2.0-3.0	$2.0-3.0	$2.0-3.1	$2.1-3.2	$2.2-3.3	$2.2-3.3	$2.3-3.4	$2.3-3.5	$2.4-3.6
Tax Rate	5.5%	5.5%	5.5%	5.4%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels	$3.0-4.0	$3.0-4.0	$3.0-4.0	$3.1-4.1	$3.2-4.2	$3.3-4.3	$3.3-4.4	$3.4-4.5	$3.5-4.6	$3.6-4.8
Tax Rate	6.5%	6.5%	6.5%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels	$4.0-5.0	$4.0-5.0	$4.0-5.0	$4.1-5.1	$4.2-5.3	$4.3-5.4	$4.4-5.5	$4.5-5.6	$4.6-5.8	$4.8-6.0
Tax Rate	7.5%	7.5%	7.5%	7.4%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels	$5.0-7.5	$5.0-7.5	$5.0-7.5	$5.1-7.7	$5.3-7.9	$5.4-8.1	$5.5-8.3	$5.6-8.5	$5.8-8.7	$6.0-9.0
Tax Rate	7.8%	7.8%	7.8%	7.7%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels	$7.5-20.0	$7.5-20.0	$7.5-20.0	$7.7-20.4	$7.9-21.1	$8.1-21.7	$8.3-22.1	$8.5-22.6	$8.7-23.2	$9.0-24.0
Tax Rate	8.2%	8.2%	8.2%	8.1%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels	$20.0 +	$20.0 +	$20.0 +	$20.4 +	$21.1+	$21.7+	$22.1+	$22.6+	$23.2 +	$24.0 +
Tax Rates for Married Filing Jointly, Head of Household, and Qualifying Widow(er)s on the Portion of Taxable Income in Ranges										
Tax Rate	2.0%	2.0%	2.0%	1.9%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Income Levels	$0-2.0	$0-2.0	$0-2.0	$0-2.0	$0-2.2	$0-2.2	$0-2.2	$0-2.2	$0-2.3	$0-2.4
Tax Rate	4.0%	4.0%	4.0%	3.9%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
Income Levels	$2.0-4.0	$2.0-4.0	$2.0-4.0	$2.0-4.0	$2.2-4.2	$2.2-4.3	$2.2-4.4	$2.2-4.5	$2.3-4.6	$2.4-4.8
Tax Rate	4.5%	4.5%	4.5%	4.4%	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Income Levels	$4.0-6.0	$4.0-6.0	$4.0-6.0	$4.0-6.2	$4.2-6.3	$4.3-6.5	$4.4-6.6	$4.5-6.8	$4.6-7.0	$4.8-7.2
Tax Rate	5.5%	5.5%	5.5%	5.4%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%
Income Levels	$6.0-8.0	$6.0-8.0	$6.0-8.0	$6.2-8.2	$6.3-8.4	$6.5-8.7	$6.6-8.8	$6.8-9.0	$7.0-9.3	$7.2-9.6
Tax Rate	6.5%	6.5%	6.5%	6.4%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%
Income Levels	$8.0-10.0	$8.0-10.0	$8.0-10.0	$8.2-10.2	$8.4-10.5	$8.7-10.9	$8.8-11.0	$9.0-11.2	$9.3-11.6	$9.6-12.0
Tax Rate	7.5%	7.5%	7.5%	7.4%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
Income Levels	$10.0-15.0	$10.0-15.0	$10.0-15.0	$10.2-15.4	$10.5-15.8	$10.9-16.3	$11.0-16.6	$11.2-17.0	$11.6-17.4	$12.0-18.0
Tax Rate	7.8%	7.8%	7.8%	7.7%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Income Levels	$15.0-40.0	$15.0-40.0	$15.0-40.0	$15.4-40.8	$15.8-42.2	$16.3-43.5	$16.6-44.1	17.0-45.1	17.4-46.4	18.0-48.0
Tax Rate	8.2%	8.2%	8.2%	8.1%	7.8%	7.8%	7.8%	7.8%	7.8%	7.8%
Income Levels	$40.0 +	$40.0 +	$40.0 +	$40.8 +	$42.2 +	$43.5 +	$44.1 +	$45.1 +	$46.4 +	$48.0+
Total Direct Rate	8.0%	8.0%	8.0%	8.0%	6.9%	6.9%	6.9%	7.0%	NA	NA

Fuel Tax Rates per Gallon

Fiscal Year

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Diesel	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250
Gasoline	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250	$0.250
Propane	$0.181	$0.181	$0.181	$0.181	$0.181	$0.181	$0.181	$0.181	$0.181	$0.181
Natural Gas	$0.197	$0.197	$0.197	$0.197	$0.197	$0.197	$0.197	$0.197	$0.197	$0.197
Aviation Fuel	$0.055	$0.055	$0.055	$0.055	$0.055	$0.055	$0.055	$0.055	$0.055	$0.055
Jet Fuel	$0.045	$0.045	$0.045	$0.045	$0.045	$0.045	$0.045	$0.045	$0.045	$0.045
Total Direct Rate *(per gallon of fuel)*	NA	NA	NA	NA	NA	$0.242	$0.243	$0.243	$0.243	$0.243

Source: Idaho State Tax Commission.

Note: The Idaho State Legislature can raise the income and fuel tax rates by legislation, no vote of the populace is required; *Idaho Constitution,* Art. VII, §16; *Idaho Code,* Sections 63-3024 and 63-2402.

[1] Idaho's personal income tax brackets are adjusted each year for inflation.

[2] The Legislature passed structural reductions in the state income tax base effective for calendar years 2000 and 2001.

Schedule 7 - Revenue Payers by Industry/Category

Historical Comparison and Most Current Fiscal/Calendar Year

(dollars in thousands)

Sales Tax

	As of June 30, 1999				As of June 30, 2005			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Farm Earnings	303	0.5	$257	0.0	355	0.6	$470	0.0
Agricultural	819	1.4	2,554	0.4	1,051	1.7	5,385	0.5
Mining	128	0.2	1,452	0.2	134	0.2	3,298	0.3
Construction	3,148	5.5	11,749	1.7	3,987	6.5	23,014	2.1
Manufacturing	4,193	7.4	43,800	6.3	3,845	6.3	61,914	5.5
Transportation & Utilities	861	1.5	7,608	1.1	1,253	2.1	14,775	1.3
Wholesale trade	1,968	3.4	41,796	6.0	2,228	3.6	77,488	6.9
Retail trade	26,871	47.0	481,441	69.3	27,593	45.2	782,486	69.5
Finance, Insurance, and Real Estate	593	1.0	8,103	1.2	684	1.1	7,198	0.6
Services	17,981	31.5	76,950	11.1	19,335	31.7	115,156	10.2
Government	339	0.6	19,047	2.7	623	1.0	34,292	3.1
Total	**57,204**	**100.0**	**$694,757**	**100.0**	**61,088**	**100.0**	**$1,125,476**	**100.0**

Personal Income

	As of December 31, 1997				As of December 31, 2004			
Income Level	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
$50,000 and under	483,685	91.4	$358,928	48.3	528,414	87.5	$365,619	37.1
$50,000 - $100,000	34,464	6.5	165,225	22.2	56,253	9.3	255,998	26.0
$100,000 - $250,000	8,369	1.6	90,764	12.2	15,236	2.5	153,372	15.6
$250,000 - $1,000,000	2,306	0.4	73,241	9.9	3,843	0.6	115,920	11.8
$1,000,000 and higher	290	0.1	55,376	7.4	559	0.1	94,151	9.5
Total	**529,114**	**100.0**	**$743,534**	**100.0**	**604,305**	**100.0**	**$985,060**	**100.0**

Corporate Income

	As of Tax Year 1997				As of Tax Year 2004			
	Number of Filers	Percent of Total	Tax Liability	Percent of Total	Number of Filers	Percent of Total	Tax Liability	Percent of Total
Corporations	15,417	29.9	$84,674	91.2	12,738	19.8	$94,686	87.1
Sub-S Corporations	14,705	28.5	3,492	3.8	23,300	36.2	6,940	6.4
Partnerships	13,301	25.8	842	0.9	19,949	31.0	2,117	2.0
Fiduciary	8,175	15.8	3,800	4.1	8,388	13.0	4,940	4.5
Total	**51,598**	**100.0**	**$92,808**	**100.0**	**64,375**	**100.0**	**$108,683**	**100.0**

Fuel Tax

	As of June 30, 2002				As of June 30, 2006			
	Number of Filers[1]	Percent of Total	Tax Liability	Percent of Total	Number of Filers[1]	Percent of Total	Tax Liability	Percent of Total
Diesel	133	39.9	$57,013	26.9	108	41.7	$64,673	28.7
Gasoline	138	41.5	153,105	72.3	101	39.0	159,121	70.6
Propane	26	7.8	50	0.0	26	10.0	56	0.0
Natural Gas	2	0.6	9	0.0	2	0.8	9	0.0
Aviation Fuel	14	4.2	166	0.1	10	3.9	138	0.1
Jet Fuel	20	6.0	1,352	0.7	12	4.6	1,397	0.6
Total	**333**	**100.0**	**$211,695**	**100.0**	**259**	**100.0**	**$225,394**	**100.0**

Source: Idaho State Tax Commission.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period for personal and corporate income tax information is calendar year 2004. Data prior to fiscal year 1999 for sales tax, calendar year 1997 for income tax, and fiscal year 2002 for fuel tax is not available.

[1] The total number of filers for fuel tax may contain the same filers counted more than once as some filers distribute more than one type of fuel.

Schedule 8 - Ratios of Outstanding Debt

Fiscal Years 1997-2006

(dollars in thousands, except per capita amount)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities										
Revenue Bonds[1]	$51,110	$106,510	$102,130	$97,635	$97,300	$105,802	$153,624	$211,031	$203,067	$205,203
Capital Leases[2]	5,021	4,667	3,920	3,469	4,417	4,121	3,977	5,915	9,428	13,929
Notes Payable								3,167	1,189	3,768
Total Governmental Activities	**$56,131**	**$111,177**	**$106,050**	**$101,104**	**$101,717**	**$109,923**	**$157,601**	**$220,113**	**$213,684**	**$222,900**
Business-Type Activities										
Revenue Bonds[3]	$126,850	$160,008	$188,356	$195,222	$193,352	$262,314	$262,517	$318,138	$329,835	$319,308
Capital Leases	5,787	7,328	6,754	8,759	10,473	11,078	6,464	5,928	5,107	5,131
Notes Payable	8,841	8,164	8,708	8,152	7,747	12,594	12,392	11,841	17,104	16,284
Total Business-Type Activities	**$141,478**	**$175,500**	**$203,818**	**$212,133**	**$211,572**	**$285,986**	**$281,373**	**$335,907**	**$352,046**	**$340,723**
Total Primary Government	**$197,609**	**$286,677**	**$309,868**	**$313,237**	**$313,289**	**$395,909**	**$438,974**	**$556,020**	**$565,730**	**$563,623**
Debt as a Percentage of Personal Income[4]	0.8%	1.1%	1.1%	1.1%	1.0%	1.2%	1.3%	1.6%	1.5%	1.4%
Amount of Debt Per Capita[4]	$164.3	$233.5	$247.5	$245.5	$241.2	$299.7	$327.1	$407.0	$406.7	$394.7

Note: The *Idaho Constitution,* Article VIII, §1, amended in 1998, specifies that the Legislature shall not create any debts or liabilities, except in extreme emergencies, unless authorized by law and then approved by the people at a general election. This does not apply to liabilities incurred for ordinary operating expenses, nor debts or liabilities that are repaid by the end of the fiscal year. The debts or liabilities of independent public bodies corporate and politic created by law and which have no power to levy taxes or obligate the General Fund of the State are not debts or liabilities of the State of Idaho. Details regarding the State's debt can be found in the long-term debt note of the financial statements.

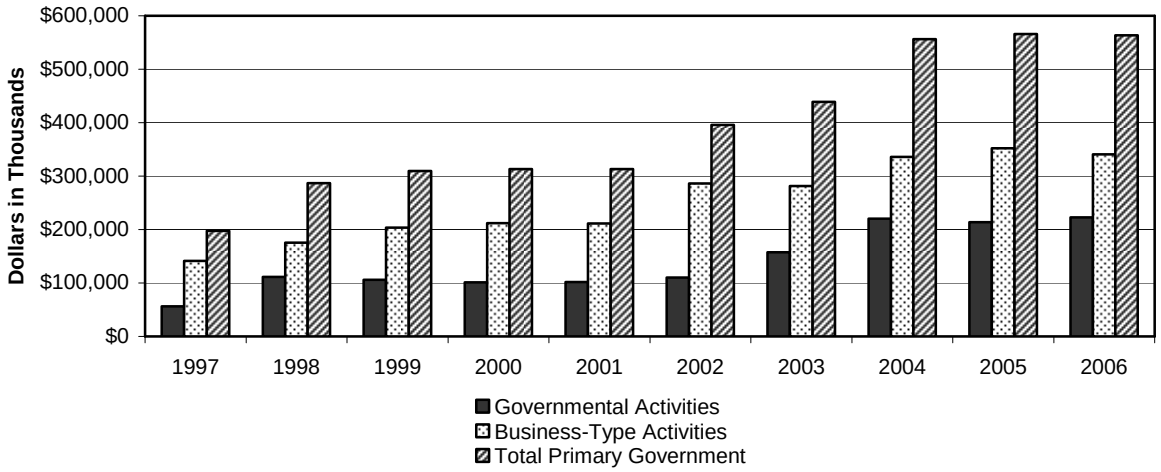
[1]In fiscal years 2002 through 2004 the Idaho State Building Authority issued revenue bonds for state building projects.

[2]In fiscal year 2006 the increase in capital leases is mainly attributable to new leases for buildings and operating equpiment at the Judicial Department and the Department of Fish and Game. The increase in fiscal year 2005 is mainly attributable to new leases for buildings at the Department of Fish and Game.

[3]In fiscal year 2006 the decrease in revenue bonds is due mainly to the retirement of debt by the colleges and universities. In fiscal years 2002 and 2004 the colleges and universities issued revenue bonds for various projects.

[4]These ratios are calculated using personal income and population for the prior calendar year. See Schedule 11 for personal income and population data.

Outstanding Debt - Primary Government
Fiscal Years 1997 - 2006



Schedule 9 - Other Long-Term Liabilities

Fiscal Years 2002-2006

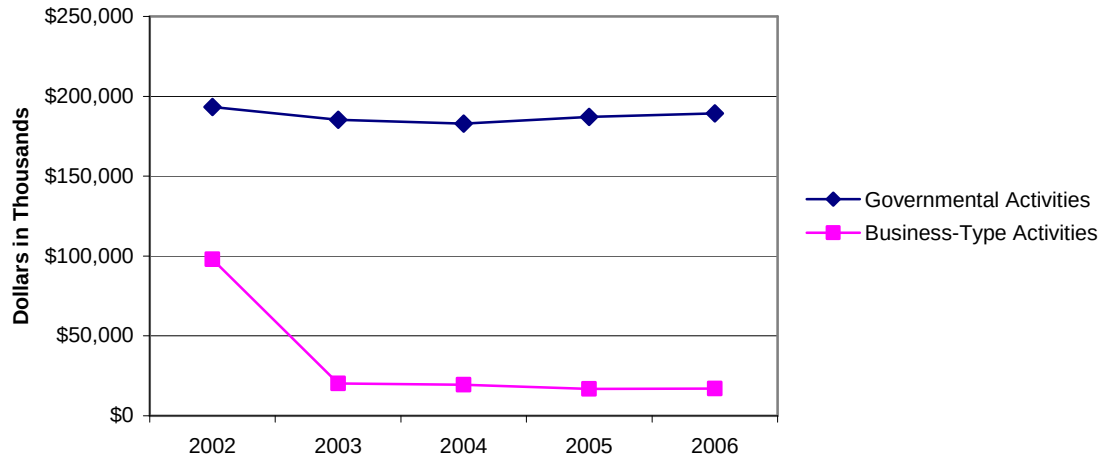
(dollars in thousands)

	2002 (as restated)	2003 (as restated)	2004 (as restated)	2005 (as restated)	2006 (as restated)
Governmental Activities					
Compensated Absences	$102,735	$102,213	$103,306	$112,155	$119,839
Policy Claim Liabilities	40,645	39,429	35,174	37,263	33,874
Claims and Judgments	49,845	43,468	44,129	36,990	34,486
Net Pension Obligation	19	124	375	621	1,071
Total Governmental Activities	**$193,244**	**$185,234**	**$182,984**	**$187,029**	**$189,270**
Business-Type Activities					
Compensated Absences	$21,432	$20,210	$19,507	$16,814	$16,986
Claims and Judgments[1]	1,726				
Grand Prize Annuities Payable[1]	74,747				
Total Business-Type Activities	**$97,905**	**$20,210**	**$19,507**	**$16,814**	**$16,986**
Total Primary Government	**$291,149**	**$205,444**	**$202,491**	**$203,843**	**$206,256**

Note: Details regarding the liabilities listed above can be found in the long-term debt note of the financial statements.

[1]In fiscal year 2003 the Idaho State Lottery changed its method of reporting liabilities and investments related to grand prize winners receiving annuity payments, eliminating both the long-term liability and related investment.

Other Long-Term Liabilities, Primary Government
Fiscal Years 2002 - 2006



Schedule 10 - Pledged Revenue Coverage

Fiscal Years 1997-2006

(dollars in thousands)

	1997	1998	1999	2000	2001	2002
Revenue Bonds - Idaho State Building Authority						
Revenue - Lease and Rental Payments	$5,652	$6,279	$6,303	$6,410	$7,613	$10,863
Less: Operating Expenses	(190)	(170)	(179)	(179)	(259)	(217)
Net Available Revenue	$5,462	$6,109	$6,124	$6,231	$7,354	$10,646
Debt Service:[1]						
Principal	$3,900	$4,125	$4,380	$4,595	$6,025	$6,615
Interest	$2,900	$2,228	$4,732	$4,524	$4,274	$4,536
Coverage	0.8	1.0	0.7	0.7	0.7	1.0
Revenue Bonds - Colleges and Universities[2]						
Revenue:						
Student Fees Pledged						$36,855
Sale of Goods and Services Pledged						29,343
Other Income Pledged						
Less: Operating Expenses						NA
Net Available Revenue						$66,198
Debt Service:[3]						
Principal						$6,195
Interest						$11,059
Coverage						3.8
Revenue Bonds - Idaho Water Resources Board[4]						
Revenue:						
Sale of Goods and Services					$934	$727
Interest Earned on Bond Proceeds			$19	$163	10	
Less: Operating Expenses				(3)	(144)	(235)
Net Available Revenue			$19	$160	$800	$492
Debt Service						
Principal					$10	$25
Interest				$371	$371	$371
Coverage				0.4	2.1	1.2

Note: Details regarding the State's outstanding bonds can be found in the long-term debt note of the financial statements. Operating expenses do not include interest or depreciation expense. Coverage equals net available revenue divided by debt service.

[1]In fiscal year 2003 the Idaho State Building Authority issued bonds of $64 million, accounting for the increase in debt service.

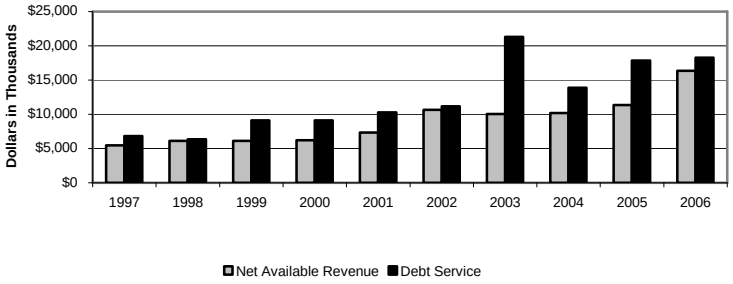
[2]GASB Statements No. 34 and 35 were implemented in fiscal year 2002 requiring the initial reporting of pledged revenue. Pledged revenue increased in fiscal year 2004 due to a change in how the colleges and universities define pledged revenue. The colleges and universities are in the process of consolidating all outstanding bonds into a single bond system. The bond covenant was amended to require that fees and charges be established in amounts sufficient to produce pledged revenues each year equal to 120 percent of the debt service for such fiscal year on all bonds outstanding.

[3]The University of Idaho refunded two series 1994 issues in fiscal year 2003; Idaho State University issued new bonds in the amount of $35.9 million in fiscal year 2004; and Boise State University and the University of Idaho partially refunded nine issues in fiscal year 2005, accounting for the changes in debt service.

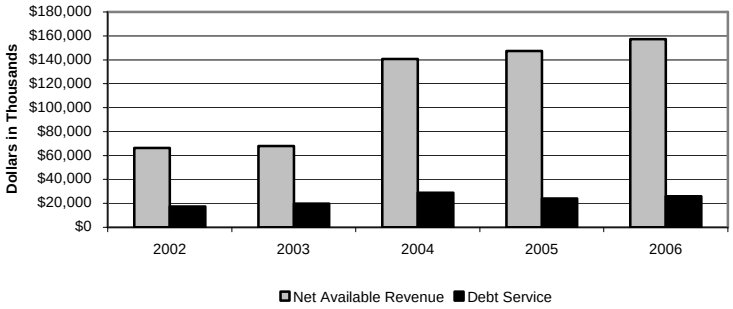
[4]In fiscal year 1999 the Idaho Water Resources Board issued bonds to fund the Dworshak Project, a dam and power-generation station. The bond proceeds were invested until needed to pay construction costs, resulting in interest earned. Upon completion of the Dworshak Project in fiscal year 2001, hydro-electric power has been sold to service the bond payments. In fiscal year 2006 the Board issued Series 2006 Refunding Bonds, defeasing the 1999 Series.

2003	2004	2005	2006
$10,370	$10,439	$11,737	$16,752
(312)	(271)	(384)	(387)
$10,058	$10,168	$11,353	$16,365
$15,810	$5,795	$8,500	$8,755
$5,521	$8,061	$9,356	$9,496
0.5	0.7	0.6	0.9
$36,578	$120,060	$131,669	$138,670
31,288	63,650	66,414	66,000
			7,178
NA	(43,052)	(50,720)	(51,842)
$67,866	$140,658	$147,363	$160,006
$6,130	$14,850	$8,940	$10,725
$13,558	$14,056	$15,220	$15,217
3.4	4.9	6.1	6.2
$863	$905	$926	$876
(112)	(233)	(191)	(101)
$751	$672	$735	$775
$40	$60	$80	$100
$369	$366	$363	$357
1.8	1.6	1.7	1.7

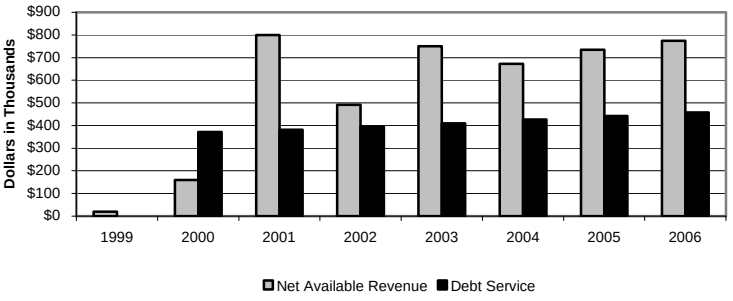
Idaho State Building Authority - Revenues and Debt Service
Fiscal Years 1997 - 2006



Colleges and Universities - Revenues and Debt Service
Fiscal Years 2002 - 2006



Idaho Water Resources Board - Revenues and Debt Service
Fiscal Years 1999 - 2006



Schedule 11 - Demographic and Economic Indicators
Calendar Years 1997-2006

	1997	1998	1999	2000	2001	2002
Population						
Idaho *(in thousands)*	1,228	1,252	1,276	1,299	1,321	1,342
Change	2.1%	1.9%	1.9%	1.8%	1.7%	1.6%
National *(in thousands)*	273,368	276,553	279,731	282,802	285,729	288,567
Change	1.2%	1.2%	1.1%	1.1%	1.0%	1.0%
Total Personal Income[1]						
Idaho *(in billions)*	$25	$27	$29	$31	$33	$34
Change	4.1%	7.6%	6.5%	7.6%	5.6%	2.4%
National *(in billions)*	$6,915	$7,423	$7,802	$8,430	$8,724	$8,882
Change	6.1%	7.3%	5.1%	8.0%	3.5%	1.8%
Per Capita Personal Income[2]						
Idaho	$20,650	$21,789	$22,786	$24,086	$25,028	$25,222
Change	2.0%	5.5%	4.6%	5.7%	3.9%	0.8%
National	$25,296	$26,841	$27,893	$29,808	$30,533	$30,779
Change	4.8%	6.1%	3.9%	6.9%	2.4%	0.8%
Median Age - Idaho	32.6	32.8	33.0	33.2	33.4	33.5
Educational Attainment						
8th Grade or Less	7.4%	7.4%	7.4%	7.4%	4.7%	4.7%
Some High School, No Diploma	12.9%	12.9%	12.9%	12.9%	9.1%	9.1%
High School Diploma	30.4%	30.4%	30.4%	30.4%	31.5%	31.5%
Some College, No Degree	24.2%	24.2%	24.2%	24.2%	25.7%	25.7%
Associate, Bachelor's or Graduate Degree	25.1%	25.1%	25.1%	25.1%	29.0%	29.0%
Resident Civilian Labor Force and Employment in Idaho						
Civilian Labor Force	629,839	647,873	652,884	661,599	675,828	682,861
Employed	598,004	614,748	620,962	630,934	642,908	645,958
Unemployed	31,835	33,125	31,922	30,665	32,920	36,903
Unemployment Rate	5.1%	5.1%	4.9%	4.6%	4.9%	5.4%
Nonfarm Wage and Salary Workers Employed in Idaho						
Goods Producing Industries						
Mining	2,996	2,817	2,485	2,347	1,973	1,758
Logging and Wood Products	11,898	11,464	11,480	11,568	9,849	9,553
Construction	32,324	32,629	35,024	36,503	37,858	36,462
Manufacturing-Durable Goods	32,317	34,428	34,218	35,839	35,249	32,766
Manufacturing-Nondurable Goods	25,970	25,636	25,515	25,625	25,294	24,485
Total Goods Producing Industries	**105,505**	**106,974**	**108,722**	**111,882**	**110,223**	**105,024**
Non-Goods Producing Industries						
Trade	91,683	93,772	96,725	100,169	98,087	97,342
Service	210,033	217,463	227,556	238,280	249,577	253,632
State and Local Government	87,297	89,467	92,262	94,744	96,860	98,482
Federal Government	12,904	12,800	12,834	13,502	13,280	13,551
Total Non-Goods Producing Industries	**401,917**	**413,502**	**429,377**	**446,695**	**457,804**	**463,007**
Total Nonfarm Wage and Salary Employment	**507,422**	**520,476**	**538,099**	**558,577**	**568,027**	**568,031**

Sources: Idaho Division of Financial Management, Idaho Department of Commerce and Labor, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics.

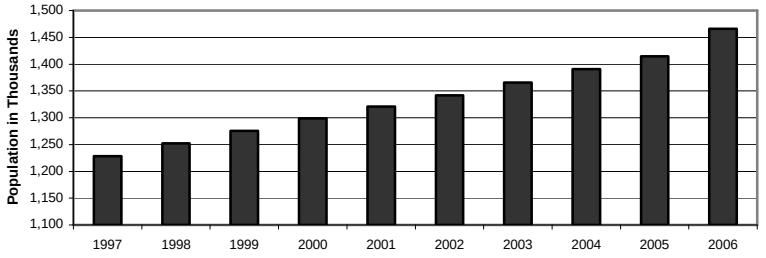
Note: Amounts for calendar years 2005 and 2006 are estimates. Prior year amounts may change due to revisions by the U.S. Bureaus of Economic Analysis and Labor Statistics.

[1]Total personal income is comprised of earned income, dividends, interest, rents, and government transfer payments.

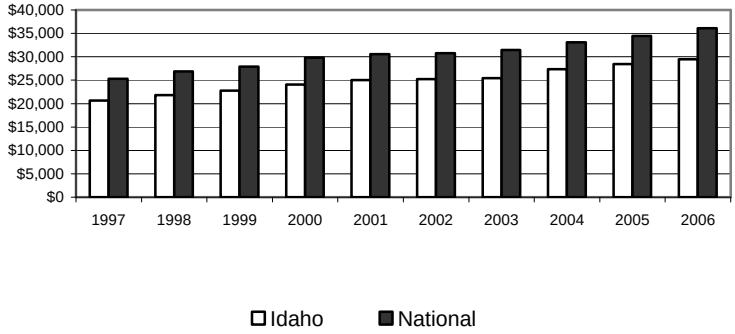
[2]Per capita personal income is calculated by dividing total personal income by population.

2003	2004	2005	2006
1,366	1,391	1,428	1,466
1.8%	1.9%	2.7%	2.7%
291,434	294,232	296,941	299,625
1.0%	1.0%	0.9%	0.9%
$35	$38	$41	$43
2.5%	9.8%	6.5%	6.5%
$9,164	$9,731	$10,239	$10,811
3.2%	6.2%	5.2%	5.6%
$25,402	$27,383	$28,420	$29,476
0.7%	7.8%	3.8%	3.7%
$31,443	$33,074	$34,482	$36,082
2.2%	5.2%	4.3%	4.6%
33.8	34.1	34.5	34.8
5.2%	5.2%	4.5%	4.3%
10.1%	10.1%	7.6%	8.4%
28.5%	28.5%	29.6%	28.3%
27.3%	27.3%	26.1%	27.0%
28.9%	28.9%	32.1%	32.0%
690,799	703,067	738,739	760,800
654,221	669,728	710,556	735,400
36,578	33,339	28,183	25,400
5.3%	4.7%	3.8%	3.3%
1,784	1,931	2,160	2,535
9,047	9,300	9,626	9,794
36,727	39,823	45,124	51,807
30,901	31,251	32,493	33,397
23,912	23,132	22,929	22,890
102,371	**105,437**	**112,332**	**120,423**
97,115	99,125	103,670	107,821
260,019	269,017	280,741	294,090
99,393	101,147	101,869	103,769
13,623	13,311	13,079	13,023
470,150	**482,600**	**499,359**	**518,703**
572,521	**588,037**	**611,691**	**639,126**

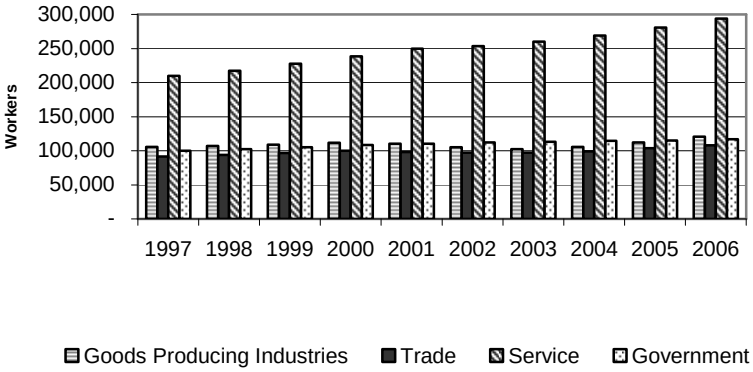
Idaho Population
Calendar Years 1997 - 2006



Per Capita Personal Income
Calendar Years 1997 - 2006



Nonfarm Wage and Salary Workers Employed in Idaho
Calendar Years 1997 - 2006



Schedule 12 - Principal Employers

Current Year and Nine Years Ago

	As of June 30, 1997			As of June 30, 2006		
Major Idaho Employers	**Number of Employees**	**Rank**	**Percent of Total State Employment**	**Number of Employees**	**Rank**	**Percent of Total State Employment**
State of Idaho[1]	16,000-16,500	1	2.7	18,000-18,500	1	2.5
Federal Government	12,500-13,000	2	2.1	13,000-13,500	2	1.8
Micron Technology, Inc.	6,500-7,000	3	1.1	9,000-10,000	3	1.3
Wal-Mart Associates, Inc.				6,000-6,500	4	0.9
Albertsons, Inc.	4,500-5,000	5	0.8	5,000-5,500	5	0.7
St Luke's Regional Medical Center	2,500-3,000	10	0.5	4,000-4,500	6	0.6
Meridian School District	2,000-2,500	12	0.4	3,500-4,000	7	0.5
Independent School District of Boise City	3,000-3,500	8	0.5	3,500-4,000	8	0.5
Hewlett-Packard Co.	3,500-4,000	7	0.6	3,500-4,000	9	0.5
Battelle Energy Alliance LLC				3,000-3,500	10	0.4
Lockheed Idaho	5,500-6,000	4	1.0			
J.R. Simplot Co.	4,000-4,500	6	0.7	3,000-3,500	11	0.4
Potlatch Corporation	3,000-3,500	9	0.5			
Micron Electronics, Inc.	2,500-3,000	11	0.5			
Total	**68,500**		**11.4**	**74,500**		**10.1**

Source: Idaho Department of Commerce and Labor, except state employees, which are from the Office of the Idaho State Controller.

Note: All figures are based on a calendar year average. Total number of employees is based on the sum of the mid-points in the ranges given. Lockheed Idaho operated the Idaho National Laboratory (formerly Idaho National Engineering and Environmental Laboratory) for the Department of Energy until October 1, 1999, when Battelle Energy Alliance LLC (formerly known as Bechtel BWTX Idaho) took over as the contractor.

[1] Number of state employees includes only full-time personnel.

Schedule 13 - Education Enrollment

Public School Enrollment Grades K-12

Academic Years 1996/97-2005/06

	1996/97	**1997/98**	**1998/99**	**1999/00**	**2000/01**	**2001/02**	**2002/03**	**2003/04**	**2004/05**	**2005/06**
Elementary	129,525	130,080	131,018	131,348	131,835	132,406	133,501	135,216	137,579	141,898
Secondary	115,727	114,323	113,605	113,878	113,174	114,009	115,014	116,821	118,425	120,009
Total All Grades	**245,252**	**244,403**	**244,623**	**245,226**	**245,009**	**246,415**	**248,515**	**252,037**	**256,004**	**261,907**

Source: Idaho Department of Education

Note: Starting in academic year 1997/98 the reporting date changed from the last Friday in September to the first Friday in November.

Public Higher Education Enrollment

Student Headcount (Calendar Years 1997-2006)

	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Boise State University	15,467	15,744	16,209	16,482	17,176	17,688	18,431	18,418	18,650	18,876
Idaho State University	11,870	12,232	12,650	13,037	13,663	13,352	13,625	13,803	13,977	12,679
University of Idaho	11,027	11,437	11,305	11,635	12,067	12,423	12,894	12,824	12,476	11,739
Lewis-Clark State College	3,008	2,972	2,815	2,696	2,952	2,967	3,228	3,145	3,222	3,201
Eastern Idaho Technical College	540	601	653	595	598	702	860	788	763	733
Total Colleges and Universities	**41,912**	**42,986**	**43,632**	**44,445**	**46,456**	**47,132**	**49,038**	**48,978**	**49,088**	**47,228**

Source: Idaho State Board of Education

Note: Total headcount includes academic full-time, academic part-time, and vocational students.

Schedule 14 - State Employees by Function

Fiscal Years 1997-2006

Full-Time Employees

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Tax Commission	354	355	395	408	400	389	370	391	383	387
Department of Administration	152	153	159	153	158	167	162	153	157	153
All Other	943	950	968	1,000	1,050	1,075	1,054	1,025	1,069	1,069
Public Safety and Correction										
Department of Correction	1,003	1,144	1,273	1,291	1,302	1,381	1,345	1,365	1,407	1,454
Idaho State Police	418	427	429	440	451	469	451	454	455	462
Department of Juvenile Corrections	209	212	252	265	267	320	320	327	328	333
All Other	325	327	336	350	351	348	344	321	333	333
Health and Human Services										
Department of Health and Welfare[1]	3,260	3,200	3,260	3,289	2,806	2,814	2,658	2,657	2,687	2,764
Education										
Colleges and Universities	4,955	5,044	5,216	5,368	5,658	5,973	5,857	5,723	5,776	5,878
All Other	498	494	499	508	511	524	499	517	538	540
Economic Development										
Idaho Transportation Department	1,702	1,670	1,702	1,763	1,760	1,774	1,773	1,786	1,774	1,745
Department of Commerce and Labor[2]	450	474	494	500	504	514	518	592	580	553
Department of Agriculture	303	323	348	340	320	309	296	305	281	302
All Other	471	485	502	504	723	774	785	712	819	840
Natural Resources										
Department of Fish and Game	490	486	477	469	468	481	494	504	497	500
Department of Environmental Quality[1]					331	351	350	353	352	345
Department of Lands	238	211	217	218	214	206	218	221	231	225
Department of Parks and Recreation	123	125	131	133	139	136	141	137	147	146
All Other	182	188	191	183	192	191	186	160	182	182
State Total	**16,076**	**16,268**	**16,849**	**17,182**	**17,605**	**18,196**	**17,821**	**17,703**	**17,996**	**18,211**

Part-Time and Temporary Employees[3]

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government	289	284	330	354	359	357	364	346	356	363
Public Safety and Correction	182	157	194	203	207	183	188	187	186	207
Health and Human Services[1]	784	805	860	979	660	710	614	671	589	654
Education	2,752	2,676	2,411	2,909	2,815	2,724	2,960	2,766	2,779	2,638
Economic Development[2]	733	684	672	739	924	947	886	970	984	936
Natural Resources[1]	393	396	408	464	517	549	529	548	591	590
State Total	**5,133**	**5,002**	**4,875**	**5,648**	**5,482**	**5,470**	**5,541**	**5,488**	**5,485**	**5,388**

Source: Office of the Idaho State Controller.

[1]In fiscal year 2001 legislative action created the Department of Environmental Quality; it was previously part of the Department of Health and Welfare.

[2]In fiscal year 2004 legislative action combined the Department of Commerce with the Department of Labor.

[3]Part-time and temporary employees are those working less than full-time, including board and commission members.

Schedule 15 - Operating Indicators by Function
Fiscal Years 1997-2006

	1997	1998	1999	2000	2001	2002
General Government						
Tax Commission						
Percent of Data Managed Electronically	20%	30%	45%	55%	65%	75%
Number of Returns Filed Electronically	NA	NA	68,522	98,085	130,855	156,400
Department of Administration						
Construction Projects Administered	106	94	85	291	276	250
Employees Covered by Benefit Plans	16,270	16,024	16,639	18,589	18,841	19,115
Public Safety and Correction						
Department of Correction[1]						
Incarcerated Offenders	3,954	4,004	4,454	5,017	5,444	5,802
Supervised Offenders	6,865	7,260	7,292	7,356	7,945	8,473
Idaho State Police						
Emergency Call Response Rate[2]	60%	65%	62%	46%	50%	54%
Per-capita Drug Crime Rate	NA	8.3	8.3	8.2	8.9	8.4
Department of Juvenile Corrections						
Number of Juveniles in the System	1,213	1,346	795	843	848	804
Rate of Recommitment to DJC Custody[3]	NA	NA	NA	NA	10.0%	6.0%
Health and Human Services						
Department of Health and Welfare[1]						
Medicaid Enrollees	82,491	80,990	85,750	95,827	122,788	141,954
Percent of Population	6.3%	6.7%	7.0%	7.7%	9.5%	10.7%
Food Stamp Recipients	70,481	64,117	58,471	58,246	59,601	71,478
Percent of Population	5.4%	5.3%	4.8%	4.7%	4.6%	5.4%
Education						
Colleges and Universities[1]						
Enrollment	41,912	42,986	43,632	44,445	46,456	47,132
Number of Certificates and Degrees Awarded[4]	6,670	6,835	6,980	6,875	7,138	7,085
Economic Development						
Idaho Transportation Department						
Percent of Pavement Which is Deficient[1]	23%	21%	20%	18%	18%	15%
Vehicles Weighed (*in thousands*)	1,566	1,644	1,726	2,147	2,458	2,486
Department of Commerce and Labor						
Individuals Registered for Employment (*in thousands*)	148	173	159	160	166	174
Percent of Registered Individuals Placed in Jobs	19.0%	14.7%	17.0%	15.8%	13.5%	13.2%
Department of Agriculture						
Conduct Disease Surveillance (*in thousands*)	1,989	1,971	1,992	2,140	2,342	2,146
Inspections of Dairy and Egg Farms	4,670	4,996	5,055	5,420	4,244	3,834
Natural Resources						
Department of Fish and Game						
Hatchery Fish Raised (*in thousands*)	35,000	25,000	35,000	46,000	35,000	30,000
Hunting and Fishing Licenses Sold (*in thousands*)	1,157	1,080	1,351	1,340	1,202	1,300
Department of Environmental Quality[5]						
Air Quality Sites Monitored				55	64	67
Water Sites Monitored				267	510	500
Public Drinking Water Systems in Compliance				97.7%	98.0%	97.8%
Department of Lands[1]						
Forest Products Sold (*in million board feet*)	214	199	180	193	192	200
Fires Responded to on IDL Land	264	356	406	310	410	319
Department of Parks and Recreation						
Park Visitation (*in thousands*)[1, 6]	2,262	2,354	2,284	2,637	2,415	2,582
Recreational Registrations (*in thousands*)[6]	145	154	169	184	192	188

Sources: Idaho Division of Financial Management; Idaho State Tax Commission; and the Idaho Departments of Administration, Health and Welfare, Correction, Lands, and Parks and Recreation.

Note: Operating indicators for fiscal years 2005 and all 2006 data are estimates, except where noted.

[1]Operating indicators for 2005 are actual amounts.

[2]In fiscal year 1997 Idaho State Police instituted new performance measures. Emergency call response rate is based on officer arriving safely within 15 minutes.

[3]In fiscal year 2001 Department of Juvenile Corrections instituted new performance measures.

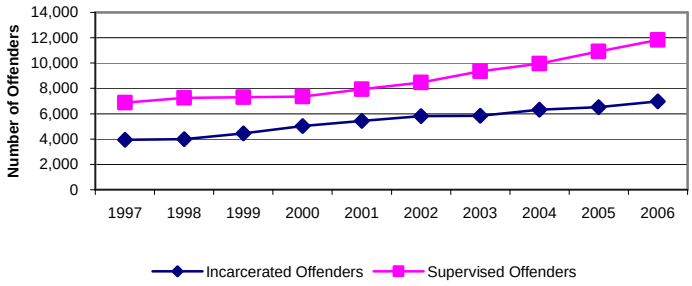
[4]Number of certificates and degrees awarded includes Eastern Idaho Technical College beginning in fiscal year 2003.

[5]In fiscal year 2001 legislative action created the Department of Environmental Quality; it was previously part of the Department of Health and Welfare.

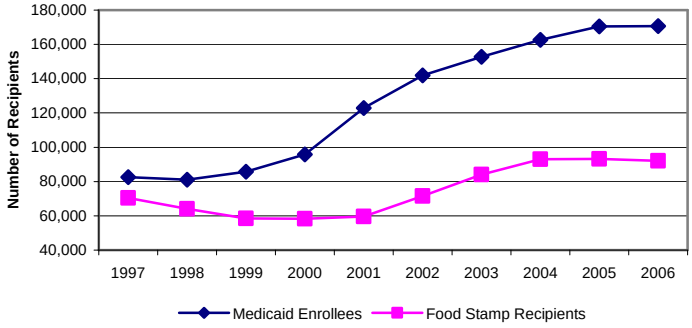
[6]Park visitation is counted in visitor days. Recreational registrations include boats, snowmobiles, all-terrain vehicles, and Park N' Ski permits.

2003	2004	2005	2006
78%	82%	82%	86%
212,486	258,295	310,089	344,664
200	143	186	424
19,250	18,076	18,495	18,829
5,825	6,312	6,526	6,976
9,346	9,955	10,926	11,825
54%	54%	90%	90%
8.7	9.1	9.0	8.9
726	676	755	780
8.2%	11.4%	10.0%	10.0%
152,679	162,585	170,512	170,585
11.4%	11.9%	12.2%	11.6%
84,066	92,963	94,956	92,149
6.3%	6.8%	6.8%	6.3%
49,038	48,978	49,088	47,228
7,935	8,193	8,648	8,361
16%	19%	19%	18%
2,342	2,365	2,389	2,413
192	204	208	212
8.9%	7.2%	7.2%	7.1%
2,124	2,060	2,300	2,200
3,851	4,282	4,000	4,000
31,000	30,000	30,000	30,000
1,300	1,300	1,300	1,300
70	64	64	64
436	442	350	350
97.8%	98.6%	95.0%	95.0%
170	254	188	203
362	292	228	NA
2,489	2,358	2,648	NA
216	233	232	232

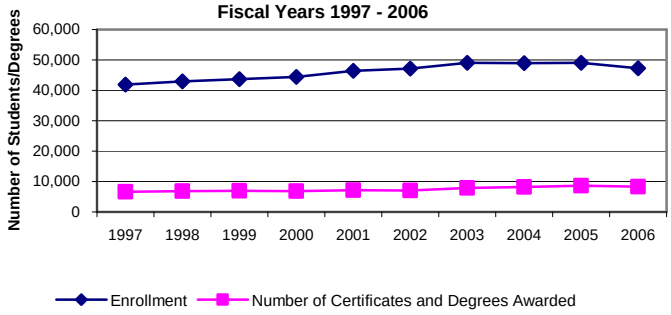
Department of Correction - Adult Offenders
Fiscal Years 1997 - 2006



Department of Health and Welfare
Medicaid Enrollees and Food Stamp Recipients
Fiscal Years 1997 - 2006



Colleges and Universities - Enrollment and Degrees Awarded
Fiscal Years 1997 - 2006



Schedule 16 - Capital Asset Statistics by Function

Fiscal Years 1997-2006

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Department of Administration										
Buildings	39	40	41	43	44	44	44	50	52	53
Public Safety and Correction										
Department of Correction										
Buildings	75	75	75	79	79	82	83	87	89	88
Vehicles	102	134	175	204	257	285	301	330	334	340
Idaho State Police										
Vehicles	61	106	159	199	280	360	403	454	425	422
Machinery and Equipment	223	354	426	530	626	699	720	807	812	783
Department of Juvenile Corrections										
Buildings	24	25	25	26	26	28	28	28	28	28
Vehicles	6	9	21	29	32	39	41	46	53	53
Health and Human Services										
Department of Health and Welfare										
Buildings	62	61	60	60	65	65	64	64	64	64
Vehicles	NA	NA	601	618	589	588	582	518	490	517
Education										
Colleges and Universities										
Buildings (*square footage in thousands*)	NA	10,230	10,368	10,496	10,868	11,396	11,358	11,743	11,919	12,265
Economic Development										
Idaho Transportation Department										
Highway Lane Miles[1]	11,843	11,806	11,760	11,756	11,779	11,831	11,819	11,852	11,874	11,874
Vehicles	114	109	98	98	95	95	109	112	97	96
Heavy Equipment	520	519	522	522	530	530	551	545	552	585
Department of Agriculture										
Scientific and Laboratory Equipment	111	115	133	137	142	159	170	184	190	203
Vehicles	34	43	67	90	108	134	140	158	166	191
Natural Resources										
Department of Fish and Game										
Hatcheries	19	19	19	19	19	19	19	19	19	19
Vehicles	201	223	248	304	381	467	610	722	766	692
Boats	210	215	226	241	256	274	288	302	302	296
Wildlife Management Areas	33	33	35	35	35	35	35	35	35	35
Department of Environmental Quality										
Air Monitoring Instruments	118	123	148	150	172	192	199	125	126	131
Water Sampling/Quality Equipment	168	197	203	213	224	271	276	82	88	94
Department of Lands										
Acres of Land (*in thousands*)[1]	2,348	2,346	2,348	2,310	2,400	2,461	2,464	2,462	2,460	2,460
Vehicles	169	195	214	223	251	297	332	361	341	346
Department of Parks and Recreation										
State Parks	28	29	32	32	33	33	34	34	34	34
Acres of State Park Land (*in thousands*)	51	51	56	56	56	56	58	58	58	58
Buildings	186	217	225	237	253	258	261	274	281	287
Vehicles	107	127	148	169	192	208	223	232	240	257

Sources: Office of the Idaho State Controller; Idaho Departments of Correction, Health and Welfare, Transportation, Fish and Game, Lands, and Parks and Recreation; and Idaho colleges and universities.

Note: Idaho State Tax Commission, and the Department of Commerce and Labor are not capital asset intensive.

[1]Highway lane miles and acres of land for fiscal year 2006 are based on estimates.

GREAT SEAL OF
ESTO PERPETUA
THE STATE OF IDAHO

Schedule 17 - Assets, Liabilities, and Fund Balances
General Fund Accounts
June 30, 2006
(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
ASSETS					
Cash with Treasurer	$320,309	$32,796	$144,840	$200	$35,770
Cash and Cash Equivalents	2				
Investments		7,980		67,248	741
Securities Lending Collateral	687,530				
Accounts Receivable, Net	681	37		12,186	
Taxes Receivable, Net	204,614	1,369	2,390		440
Interfund Receivables		3,642			
Due from Other Entities					
Inventories and Prepaid Items	1,802				
Other Assets	1	57			5
Restricted Assets:					
Cash and Cash Equivalents					
Total Assets	$1,214,939	$45,881	$147,230	$79,634	$36,956
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$11,955	$4,576	$118		$94
Payroll and Related Liabilities	7,717	49			5
Interfund Payables	570	19	30		
Due to Other Entities					
Deferred Revenue	48,291	4,901	18	$12,186	9
Amounts Held in Trust for Others	286				
Obligations Under Securities Lending	687,530				
Other Accrued Liabilities	804	5,610			
Total Liabilities	757,153	15,155	166	12,186	108
Fund Balances					
Reserved for:					
Encumbrances	7,505		63		16,572
Inventories and Prepaid Items	1,802				
Noncurrent Receivables					
Unreserved, Reported in:					
General Fund	448,479	30,726	147,001	67,448	20,276
Total Fund Balances	457,786	30,726	147,064	67,448	36,848
Total Liabilities and Fund Balances	$1,214,939	$45,881	$147,230	$79,634	$36,956

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	Total
$83	$2,132	$195	$2,696	$4,045	$11,255	$554,321
						2
					332	76,301
						687,530
				715		13,619
16,453	25,191				289	250,746
					314	3,956
					81	81
				3,871		5,673
						63
39,438						39,438
$55,974	$27,323	$195	$2,696	$8,631	$12,271	$1,631,730
				$4,159		$20,902
			$79	162	$215	8,227
						619
$39,438					12	39,450
1,759	$11,644			715		79,523
						286
						687,530
		$8			2,722	9,144
41,197	11,644	8	79	5,036	2,949	845,681
					290	24,430
				3,871		5,673
					301	301
14,777	15,679	187	2,617	(276)	8,731	755,645
14,777	15,679	187	2,617	3,595	9,322	786,049
$55,974	$27,323	$195	$2,696	$8,631	$12,271	$1,631,730

Schedule 18 - Revenues, Expenditures, and Changes in Fund Balances
General Fund Accounts
For the Fiscal Year Ended June 30, 2006
(dollars in thousands)

	State General Account	Permanent Building	Budget Stabilization	Millennium	Income Earnings
REVENUES					
Sales Tax	$865,828	$5,000			
Individual and Corporate Taxes	1,322,338	5,887			$257
Other Taxes	22,373	7,916	$22,585		4,925
Licenses, Permits, and Fees	9,645				1,093
Sale of Goods and Services	250	57,274			1,238
Grants and Contributions		854			36
Investment Income	28,302	4,208		$1,973	1,926
Tobacco Settlement				21,253	
Other Income	3,638	12		10	100
Total Revenues	2,252,374	81,151	22,585	23,236	9,575
EXPENDITURES					
Current:					
General Government	74,439	10,155	2,766		191
Public Safety and Correction	197,647		3,033	364	2,721
Health and Human Services				355	5,291
Education	107,135		6,454		1,037,427
Economic Development	17,280		355		35
Natural Resources	21,779		540		
Capital Outlay	3,569	71,982	931		1,482
Intergovernmental Revenue Sharing	20,510				
Debt Service:					
Principal Retirement	221				
Interest and Other Charges	10,509	176			
Total Expenditures	453,089	82,313	14,079	719	1,047,147
Revenues Over (Under) Expenditures	1,799,285	(1,162)	8,506	22,517	(1,037,572)
OTHER FINANCING SOURCES (USES)					
Sale of Capital Assets	102	2			
Transfers In	201,628	16,277	104,413	2	1,032,368
Transfers Out	(1,894,744)	(1,905)	(6,216)	(2)	(350)
Total Other Financing Sources (Uses)	(1,693,014)	14,374	98,197	0	1,032,018
Net Change in Fund Balances	106,271	13,212	106,703	22,517	(5,554)
Fund Balances - Beginning of Year, as Restated	351,515	17,514	40,361	44,931	42,402
Fund Balances - End of Year	$457,786	$30,726	$147,064	$67,448	$36,848

Sales Tax	Income Tax Refunds	Catastrophic Health Care	Legislative	Warrant Deficiency	Miscellaneous	General Account Transfer Eliminations	Total
$173,355	$7,715				$3,914		$1,055,812
	99,575				8,111		1,436,168
	5,194						62,993
		$133		$94	5,848		16,813
				66	5,459		64,287
					1,928		2,818
		246					36,655
							21,253
		2,363	$23	2,172	14,585		22,903
173,355	112,484	2,742	23	2,332	39,845		2,719,702
			5,517	71	8,120		101,259
					431		204,196
		23,023					28,669
					13,483		1,164,499
				535	888		19,093
				13,186	1,038		36,543
			12		335		78,311
172,111	5,183				642		198,446
			5				226
							10,685
172,111	5,183	23,023	5,534	13,792	24,937		1,841,927
1,244	107,301	(20,281)	(5,511)	(11,460)	14,908		877,775
							104
		20,260	5,900	9,387	14,542	($1,274,371)	130,406
	(108,302)				(22,628)	1,274,371	(759,776)
	(108,302)	20,260	5,900	9,387	(8,086)	0	(629,266)
1,244	(1,001)	(21)	389	(2,073)	6,822	0	248,509
13,533	16,680	208	2,228	5,668	2,500		537,540
$14,777	$15,679	$187	$2,617	$3,595	$9,322	$0	$786,049

Schedule 19 - Miscellaneous Statistics

State Capital	Boise
Admitted to the Union	July 3, 1890
Nickname	The Gem State
Motto	Esto Perpetua (Let It Be Perpetual)
Population	1,466,400
Highest Elevation Point	Mt. Borah
	12,662 Feet Above Sea Level
Lowest Elevation Point	Snake River, Lewiston
	770 feet Above Sea Level
Number of Lakes	More Than 2,000
State Bird	Mountain Bluebird
State Fish	Cutthroat Trout
State Flower	Syringa
State Gem Stone	Idaho Star Garnet
State Horse	Appaloosa
State Insect	Monarch Butterfly
State Song	"Here We Have Idaho"
State Tree	Western White Pine

Source: *Idaho Blue Book* , 2005-2006
Idaho Economic Forecast, July 2006 (Population)

COMMUNITIES IN IDAHO WITH POPULATIONS OVER 10,000

Boise	190,122
Nampa	68,156
Idaho Falls	52,148
Pocatello	50,723
Meridian	44,962
Coeur d'Alene	38,388
Twin Falls	37,619
Caldwell	32,718
Lewiston	31,028
Rexburg	24,733
Moscow	21,900
Post Falls	21,351
Eagle	16,176
Mountain Home	11,427
Garden City	11,173
Hayden	11,086
Blackfoot	10,707
Chubbuck	10,492

Source: *Idaho Fiscal Facts 2005*

LAND AREA AND USE (in square miles)

Total Area	84,437
Land Area	83,557
Water Area	880
Federal Land	52,699
Total Non-Federal Land	30,858
Total Rural Land	78,768
Agricultural Land	12,170
Range Land	34,353
Forest Land	32,245

Land Area and Use amounts were converted from square acres to square miles at 640 acres to the mile.

Sources: *Idaho Blue Book* , 2005-2006
Idaho Fiscal Facts 2005

HEALTH AND EDUCATION

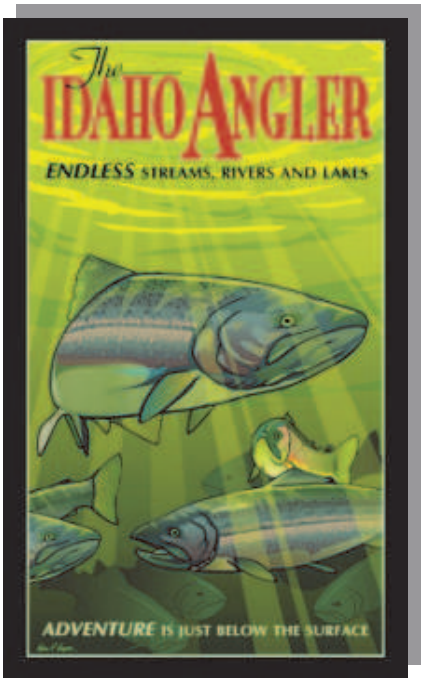
Number of:	
Licensed Hospitals	47
Optometrists	339
Chiropractic Physicians	411
Physicians	2,444
Dentists	898
Public Schools	
Elementary	362
Secondary	295
Non-Public Schools	
Elementary	50
Secondary	31
Colleges and Universities	11
Public Libraries	149

Source: *Idaho Blue Book* , 2005-2006

Ward Hooper - Graphic Designer

Currently a resident of Hidden Springs, Idaho, Ward Hooper grew up in Grangeville, Idaho. Ward has been excited about art since the first grade. He pursued his creative talents throughout his childhood and teen years, graduating from Boise State University with a degree in Fine Arts and a minor in Advertising Design.

Ward has formed a career as a graphic designer, artist, and illustrator in the Boise area where he lives with his wife, Rachel, and son, Max. He sells his illustrations to clients such as Albertson's Inc., Micron Technology, Smith Sport Optics, and Hewlett Packard. Several of Ward's works are permanent features of the Boise Public Arts Collection. His current work has created an avid following of the "vintage advertising" style. He points to a love of history and classic advertising as a motivating factor in his work.



Ward creates all of his images by traditionally drawing them. He then layers color on the image much like a painter paints on each stroke of paint, except Ward uses a mouse and a computer screen. Pieces can take anywhere from one day to one week to construct. His limited edition prints are known as glicees; they are printed on extremely high-quality archival paper, using inks which are proven to be fade resistant up to 50 years.



In 2005 Ward received one of the Mayor's Arts Awards from Boise Mayor David Bieter for his contribution to the culture of the community. Ward has also been awarded several public arts grants to create public artwork in Boise and McCall.

After several attempts and many lessons learned, the factors that made Ward's career successful was finding a style that spoke to a wide spectrum of people, made him happy, and appealed to a gallery. Ward comments, "The business of art takes a product which not only makes the artist happy but satisfies the needs of the art lover and the gallery owner."

Ward has been working as a professional artist since graduating from college in 1986. Interested in history, he also collects old advertising materials and anything vintage.

Above all, Ward enjoys what art gives to other people. He creates images which take individuals back in time to a simpler place, or kindles memories of their childhood past.

For those customers desiring a one-of-a-kind piece of artwork, Ward also works on commission, creating a design according to his customer's ideas.

Photos courtesy of Ward Hooper: www.wardhooper.com
Left: *Ski Idaho*
Right: *Idaho Angler*



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